



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

ENVIRONMENT, COMMUNICATIONS AND THE ARTS  
LEGISLATION COMMITTEE

ESTIMATES

**(Budget Estimates)**

THURSDAY, 27 MAY 2010

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE ENVIRONMENT, COMMUNICATIONS AND THE ARTS****LEGISLATION COMMITTEE****Thursday, 27 May 2010**

**Members:** Senator McEwen (*Chair*), Senator Fisher (*Deputy Chair*), Senators Ludlam, Lundy, Troeth and Wortley

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

**Senators in attendance:** Senators Abetz, Bilyk, Birmingham, Bishop, Boswell, Cormann, Fisher, Ludlam, Marshall, McEwen, Troeth and Wortley

**Committee met at 9.03 am**

**CLIMATE CHANGE AND ENERGY EFFICIENCY PORTFOLIO****In Attendance**

Senator Wong, Minister for Climate Change, Energy Efficiency and Water

**Department of Climate Change and Energy Efficiency****Executive**

Dr Martin Parkinson, Secretary  
Mr Martin Bowles, Deputy Secretary  
Mr Blair Comley, Deputy Secretary  
Mr Geoff Leeper, Deputy Secretary  
Mr Malcolm Thompson, Deputy Secretary

**Response to climate change****Outcome 1**

Mr Andrew Bailey, First Assistant Secretary, Home Insulation Program Review Office  
Mr Ian Carruthers, First Assistant Secretary, Adaptation and Land Management Division  
Ms Alex Rankin, First Assistant Secretary, Demand Driven Programs Division  
Mr David Rossiter, First Assistant Secretary, Data Reporting and Registration Division  
Ms Harinder Sidhu, Chief Advisor, International Division  
Ms Shayleen Thompson, First Assistant Secretary, Strategies and coordination Division  
Ms Clare Walsh, Acting First Assistant Secretary, Renewables and Energy Efficiency Division  
Ms Penny Weir, First Assistant Secretary, Corporate Support Division  
Ms Bernadette Welch, Acting First Assistant Secretary, Governance and Program Support Division

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Ms Jenny Wilkinson, Acting First Assistant Secretary, Emissions Trading Division  
Ms Carolyn Brassil, Acting Assistant Secretary, Compliance and Audit Section  
Ms Anthea Harris, Assistant Secretary, Carbon Market Linkages Branch  
Ms Anne Leo, Acting Assistant Secretary, Green Loans  
Mr Gene McGlynn, Assistant Secretary, Building and Government Energy Efficiency Branch  
Ms Karen Moloney, Acting Assistant Secretary, Solar Programs  
Mr Robert Raether, Assistant Secretary, Renewables and Reporting Branch  
Ms Kath Rowley, Acting Assistant Secretary, Offsets  
Mr Tas Sakellaris, Assistant Secretary, Coverage and Legislation Branch  
Mr Hilton Taylor, Assistant Secretary, Appliance and Energy Efficiency Branch  
Mr Robert Twomey, Chief Financial Officer  
Ms Mary Wiley-Smith, Assistant Secretary, Community and Industry Partnerships Branch  
Mr Trevor Power, Acting Assistant Secretary, Household and Industry Assistance Branch  
Ms Amanda McIntyre, Assistant Secretary, Governance, Risks and Compliance Branch  
Prof. Will Steffen, Science Advisor

**Office of the Renewable Energy Regulator**

Mr Andrew Livingston, Renewable Energy Regulator  
Mr Amarjot Singh

**CHAIR (Senator McEwen)**—Good morning. I declare open this public hearing of the Senate Environment, Communications and the Arts Legislation Committee. Today the committee will examine the Climate Change and Energy Efficiency portfolio, responsibility for which has been transferred from the finance and public administration committee. The Senate has referred to the committee proposed expenditure for 2010-11 for the portfolios of Broadband, Communications and the Digital Economy, and Environment, Water, Heritage and the Arts and related other documents. The committee must report to the Senate on 22 June 2010. It has set Friday, 30 July 2010 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, hopefully, familiar with the rules of the Senate governing estimates hearings. If you need assistance in that regard, the secretariat has copies of the rules. In particular, I 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, and which I now incorporate in *Hansard*.

*The extract read as follows—*

**Public interest immunity claims**

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;

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- (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).

(Extract, Senate Standing Orders, pp 124-125)

#### **Department of Climate Change and Energy Efficiency**

**CHAIR**—I welcome Senator the Hon. Penny Wong, the Minister for Climate Change, Energy Efficiency and Water, and portfolio officers. Minister, would you like to make an opening statement?

**Senator Wong**—I do not, but I think Dr Parkinson does.

**CHAIR**—Dr Parkinson, would you like to make an opening statement?

**Dr Parkinson**—I would, Madam Chair.

**CHAIR**—Please do so.

**Dr Parkinson**—Thank you. I appreciate the opportunity on behalf of my colleagues to make a brief opening statement to assist the committee in understanding a little more about who we are, what we do and how we are organising ourselves following the machinery of government changes. These changes, which took effect on 8 March 2010, created the Department of Climate Change and Energy Efficiency and charged us with leading development and coordination of Australia's climate change and energy efficiency policies. As such, we are responsible for policy advice, program administration and service delivery in four key areas: reducing Australia's greenhouse gas emissions; promoting energy efficiency; adapting to climate change; and helping to shape a global climate solution. These responsibilities, if delivered effectively, will help reduce carbon emissions, mitigate the impact of climate change and help Australia adapt to the inevitable climate change that we cannot avoid. In addition, as a department, we are also responsible for the oversight of the Office of the Renewable Energy Regulator and the Australian Carbon Trust Ltd.

With the machinery of government changes many of the issues that relate to the Home Insulation Program, HIP, are now the responsibility of my department. As I noted when appearing before Senator Fisher's references committee, I will endeavour to answer all of the questions that the committee puts to us. However, as you would understand, there are limits to what we can say about issues that occurred prior to 8 March 2010. In that regard though I would note that there are a set of letters between Minister Garrett and the Prime Minister that some senators, in particular Senator Birmingham, have been interested in and that these are about to be released shortly.

As you know, a clear legacy issue related to the HIP surrounded safety—a point that was emphasised by Minister Combet in his ministerial statement of 10 March 2010. Addressing the safety concerns, while overcoming the backlog of legitimate payments and providing assistance to industry, has been our highest priority since taking responsibility for the HIP. In that regard we have worked with the government to develop and now implement the Foil Insulation Safety Program covering all HIP houses fitted with foil insulation and the Home Insulation Safety Program that will inspect houses to detect and rectify any serious safety hazards. With the Department of Innovation, Industry, Science and Research, we have worked to design and deliver the Insulation Industry Assistance Package.

Significant progress has been made across a number of these areas. In short, safety inspections for homes with foil and non-foil insulation are now underway and more than 54,000 inspections have been completed or booked to date. The introduction of the Foil Insulation Safety Program occurred on 6 May 2010. As I said, the Insulation Industry Assistance Package has now been introduced and we have made significant progress on resolving outstanding payments. PricewaterhouseCoopers has been contracted to act as the government's program broker for the Foil Insulation Safety Program. The government intends to enter into a similar arrangement with a national organisation experienced in large-scale projects to manage inspections under the Home Insulation Safety Program.

Development of a fraud prevention framework is underway. All the insulation programs are subject to the department's project management framework and new governance structures.



As I said, with AusIndustry, we are currently accepting applications for the Insulation Industry Assistance Package and we are working with DEEWR on the workers' package.

The department also inherited responsibility for the Green Loans program. In the last two months we have worked hard on the issues that Minister Wong outlined in her ministerial statement of 10 March 2010. In that time we have cleared a backlog of over 160,000 household sustainability assessment reports. We have cleared all overdue invoices and are processing all correctly submitted invoices within 30 days. We have signed a contract with AECOM for the provision of independent audit services for the program. We have reduced waiting times on the booking call centre to less than 30 seconds. We have put in place arrangements to ensure that all eligible households will be able to receive their \$50 green rewards from July.

The department has also been impacted by the government's announcement that it will not move to legislate the Carbon Pollution Reduction Scheme before the end of 2012. This has led to a decision to not proceed with the establishment of the Australian Climate Change Regulatory Authority, ACCRA, and the need to redeploy a number of staff previously working on CPRS implementation. Notwithstanding the CPRS decision, action on climate change mitigation, including through the introduction of the renewable energy target, science, adaptation and international engagement remain a high priority of government. We continue to carry out our pre-existing responsibilities in these areas. Similarly, our work on greenhouse gas inventories, projections and the operation of the National Greenhouse and Energy Reporting Scheme continues.

Add to this our energy efficiency policy and program obligations, which go well beyond HIP and green loans, and the work of the Prime Minister's Task Group on Energy Efficiency, it is apparent that we have a large, complex and continuing work agenda.

In order to deliver this we have had to undergo significant internal restructuring. We now have a new SES and divisional structure. Co-location of our energy efficiency teams is underway. We have identified everyone who needs to be redeployed and have started the job-matching process. While all is not fixed, the integration process is well underway.

In terms of staffing and where we have come from, the DCC heritage component of the department comprised 553 people. The DEWHA heritage component comprises 445 people. Together we are forming a new institution, not DDC or DEWHA. We have had to take a number of structural steps to get to this point. We now have five deputy secretary positions. To my left we have Blair Comley and Geoff Leeper, who cover predominantly DCC heritage responsibilities. The Prime Minister's Special Envoy, Howard Bamsey, is also leading the secretariat to the Task Group on Energy Efficiency. We have two additional groups led by, on my right Martin Bowles and Malcolm Thompson. The first of these two additional groups deals with the HIP and renewable energy bonus and the other deals with the renewable energy and energy efficiency policies and programs, such as Smart Grid, Smart City, buildings and appliance efficiency and the demand driven programs such as green loans, Solar Homes and Communities Plan, the National Solar Schools Program and so on.

The HIP group is led by Martin Bowles who has joined us temporarily from the Department of Defence. The energy efficiency group is led by Malcolm Thompson who has come to us from DEWHA as part of the machinery of government changes.

Given the challenges we have inherited in these areas, I have consciously bolstered senior strategic resources and added key specialist skills to the teams. In Mr Bowles's HIP group, we have three first assistant secretaries and seven assistant secretary level positions. We have added additional staff at levels further down, all to help manage the transition of the scheme to a sustainable basis. The people whom we have added to the staff are a mix of permanent staff, temporary transfers from other agencies and non-ongoing staff. On Mr Thompson's side we have also bolstered resources, adding another division head who is managing four assistant secretaries, three of whom are additional, and their staff are at other levels. Again these are a mix of permanent staff, temporary transfers and non-ongoing. In both cases the decision to bolster staff numbers reflects recognition of the pre-existing work pressures and the imperative the government has placed on us for rapid and effective responses to the legacy issues. All up we have added around 51 staff to these functional areas. We expect to redeploy a number of the ACCRA staff to these areas when that redeployment process is completed.

We have also made a major investment in audit and compliance activities around HIP and green loans. On HIP we have appointed a forensic audit team from KPMG, while on green loans we have deployed, as I said, AECOM to assist on the compliance work. We have also redirected the compliance and intelligence branch of the former ACCRA group to assist the existing compliance resources that were working on this task. We are developing a compliance categorisation model to target fraud and noncompliance more effectively and hence allow us to try and speed up payments.

In short we have supplemented the group of dedicated staff who transferred to DCCEE under the machinery of government changes with high level strategic resources and key specialist resources experienced in developing and implementing compliance frameworks, intelligence analysis and fraud investigation. It is these decisions, combined with the hard work of the existing staff, that has allowed us to make the significant progress in working through the backlog of issues including payment for insulation installation and household sustainability assessments.

Reflecting on the findings of the Hawke Review of the HIP though and the other reviews that are—

**Senator BOSWELL**—Would you like to table your—

**CHAIR**—Senator Boswell, order! I am sure Dr Parkinson has almost completed his statement. Given this is the first time we have examined this portfolio in this committee I think it will benefit committee members to understand what exactly we are looking at. I know you have got questions on the renewable energy area, Senator Boswell and that is program 1.1 and we will get there after general questions of the department. Dr Parkinson, can you just complete your statement.

**Senator FISHER**—We are going to interview this department all day, Senator Boswell.

**Senator BOSWELL**—I have some very serious questions to ask Senator Wong.

**CHAIR**—Thank you, Senator Boswell, order! Dr Parkinson, please complete your statement.

**Dr Parkinson**—Thank you very much, Madam Chair. Senator Boswell, literally I am just about to finish up. Reflecting on the findings of the Hawke Review of the HIP and the other reviews that are currently underway though, I have also moved to ensure that the new department has a strong central capability to assist in program design and monitoring, something for which the former department of climate change had little need. As Dr Hawke observed, ‘A stronger management structure, earlier implementation of the audit and compliance program and better targeting of compliance effort early in the program could have mitigated the risks to more acceptable levels.’ But he went on to say ‘never to zero.’ With that in mind, we have emphasised building robust governance structures, developing a positive staff culture, improving compliance approaches, robust program design and ensuring adequate resources are allocated to the responsibilities. We have introduced accepted project management methodology and governance structures to ensure that the progress and quality of project and program development is made transparent to our senior managers and can be closely monitored throughout all stages of a program life cycle. This approach was used effectively to manage projects associated with the Carbon Pollution Reduction Scheme and I hope will assist the committee as we meet in future.

Just to conclude then: it is fair to say that much work remains to be done but that effective responses in all of the areas that I have outlined will ensure that future programs meet the high standards expected by the government, the parliament and the community. To that end, I would like to record the appreciation I have for the assistance that we have received from colleagues across government. As I mentioned, many of the staff who have come in have come temporarily from other agencies. I would particularly note the assistance we have received from the Australian National Audit Office as we work through the issues.

Notwithstanding the significant procedural, systemic and structural changes alluded to earlier, like our colleagues across the APS, we are operating in a financially constrained environment. The challenge for us is to remain creative, innovative and deliver effective and efficient policy and programs that address the issues posed by climate change. On behalf of my colleagues, we look forward to working with the committee to assist you helping us in meeting these challenges. Thank you.

**CHAIR**—Thank you very much, Dr Parkinson. I have just had a request from the opposition to consider a slight re-ordering of the program. If we can just pause proceedings for a short period of time while we have a—

**Senator BIRMINGHAM**—Madam Chair, just before we have that pause, could Dr Parkinson table his opening statement please?

**CHAIR**—Yes, excuse me.

**Dr Parkinson**—I would be happy to, Senator. I have got a couple of handwritten changes. I will just clean those up and then I am happy to lodge it.

**Senator BIRMINGHAM**—Sure, thank you.

**CHAIR**—Yes, the opposite way.

**Proceedings suspended from 9.18 am to 9.21 am**

**CHAIR**—Thank you. We will resume proceedings. There has been a private meeting of the committee and the request from senators on my right has been agreed to. To facilitate proceedings today the committee will commence with an examination of program 1.1, which includes renewable energy. If people are not sure about what is in it they should check the PBS, which is the yellow book. Once we have completed examination of that program area, we will go to general questions of the department. After general questions of the department we will resume the program that we have, and that will commence with program 1.2.

**Senator BIRMINGHAM**—Before we go to policy questions or budget questions, in addition to Dr Parkinson's statement I wonder if there is an updated organisational chart or something of the department that you have that could also be tabled that reflects the administrative changes you announced at the beginning?

**Senator Wong**—We will see if we can provide one. I am not sure we have brought a copy along. I think it is on the web.

**Senator BIRMINGHAM**—That would be helpful. Thank you.

**CHAIR**—The intention then is to proceed with the amended program. That will be how we will proceed with the rest of the day.

I move then to program 1.1: Reducing Australia's greenhouse gas emissions.

**Senator BOSWELL**—The first question I would like to ask Senator Wong. You may have already done this. Has the modelling been tabled?

**Senator Wong**—I have released the modelling, I think it is on the website and, in anticipation of your request, I have a copy here which can be tabled.

**Senator BOSWELL**—Thank you very much. We have had an attempt at this renewable energy. It lasted about six months, and now we have to come back and revisit it. I am concerned that what I voted for, which was a 20 per cent renewable energy target, is going to be—well, I do not know; it seems to be like a piece of string that does not have an end on it. We have divided the LRECs up from the SRECs and there are heat pumps, solar hot water systems and photovoltaic cells on the roof. It is very attractive to put a photovoltaic cell power plant on the roof because you get a multiplier effect over 15 years of RECs, called phantom RECs. With the state and federal subsidies you can put a plant on the roof for a very small cost. What concerns me is as the cost of power goes up, more people will put these photovoltaic cells on their roof and the RECs will continue to go up in a round circle, where the higher the power goes up, the more people rely on these photovoltaic cells on roofs. Your secretary Mr Parkinson said that is the most expensive form of saving carbon costs; it is the most expensive way. How do you know what the end renewable target will be? How do you define where the renewable energy target is going to stop? Could it go to 22 per cent? Could it go to 25 per cent? Could it go to 30 per cent? I am asking a question.

**Senator Wong**—Sorry, I was waiting for you to finish.

**Senator BOSWELL**—Cheers.

**Senator Wong**—There are a range of things which you have asserted in that question, and I think it might be useful just for us to recall why it is the government is proposing, subject to the parliament, to make the changes that I announced earlier this year. The government went

to the election with a commitment to expanding the renewable energy target by four times, up to 20 per cent. As a result of a range of issues, really there are two policy objectives that the renewable energy target is seeking to achieve. This was one of the issues that led to the changes I announced. One of the objectives is to accelerate the transformation of Australia's electricity generation sector, to bring forward additional investment in renewable energy for large scale projects; that is one objective. The second objective is to give an incentive to Australian households that want to do their bit through the installation of various technologies, one of which is solar PV. The renewable energy target really was seeking to achieve both of those objectives: how do you subsidise households who want to do their bit and how do you try and give an effective subsidy or effective assistance or market incentive to larger scale projects?

The enhancements that we announced earlier this year are designed to recognise both of those objectives. There was a concern from some in the industry that the way in which the RET had been originally designed—and frankly, Senator, we simply expanded the renewable energy target. There were some other changes made post the expansion—in relation to both of those objectives could potentially compromise one or other. The enhancements that were announced by Mr Combet and I are aimed to be very clear about the two different policy objectives that this market mechanism is seeking to achieve. What we have proposed, and is in the bill before the parliament, as you said, separates out into two parts the different technologies, which comprise those two policy objectives. We have what I have colloquially coined the big REC and the little REC. The big REC, the LREC, is designed to give the market signal to large scale investments in large scale renewable energy projects, for example, wind, geothermal, wave, whatever we are able in Australia to develop the technology to bring to market for. The small scale renewable energy scheme is designed to provide Australian households with both a certainty and the incentive to put renewable energy technologies onto their roofs and the like. By separating them out we are seeking to ensure that we achieve both policy objectives. I am pleased to say that, even as a result of the government's announcements, we have seen, I think, an improvement in the market conditions for the large scale projects, large scale wind, et cetera. But obviously what is required is the parliament to pass it.

Your question goes to cost. What I have released—

**Senator BOSWELL**—My question goes to how—

**Senator Wong**—If I could finish—

**Senator BOSWELL**—No, I think you missed what I had asked you. What I have asked you is how you put a limit on the number of people that put photovoltaic cells on their roofs when every person who puts a photovoltaic cell on their roof gets a subsidy. Someone else is paying for that subsidy. The government is picking the tab up.

What the government has cleverly done is pass the cost of putting photovoltaic cells on people's roofs on to the public, because everyone that has not got one is subsidising the people that do have one. I want to know how you limit the number of small RECs? What you have cleverly done is said that the big-end users will have to buy a percentage of the large RECs but the little RECs are unlimited and you have got to buy them too.

**Senator Wong**—I was going to get to that. It is the case that we have not capped the small renewable energy scheme. I think there are a few things you have said which need to be refuted because they lead you to the wrong conclusion and they are factually incorrect. The first is that there is a subsidy, but it is not full cost. What we are doing when we assist through the provision of renewable energy certificates is to provide some subsidy towards the cost of installation, for example, for a solar PV. It is not that people are going to make massive amounts of money out of it. It is still going to mean that the household will put some of their own money into putting this on their roof. That is the first point.

**Senator BOSWELL**—A very small amount of money—\$2,000 or \$3,000.

**Senator Wong**—I suppose it depends on how much you earn whether you think \$2,000 or \$3,000 is a small amount of money. Secondly, the modellers, who are McLennan Magasanik Associates—MMA—have made various assumptions about the take-up of the small-scale RECs, which underpins the cost impact.

I will throw shortly to Mr Raether to explain to you why it is that the modellers and the government are of the view that our estimates of the take-up of the small renewable energy scheme is as we anticipate. I want to just remind you that the estimated cost of these enhancements is about \$2 a year for the average household. For the median household electricity bill, the average increase as a result of these design changes to the renewable energy target is around \$2 a year. Even if you dispute that, and even if we are 100 per cent out, you are talking about a \$4 a year increase. I just want to put some context around the actual cost of the scheme which is unashamedly about trying to bring forward more investment in renewable energy in Australia, whether large scale or small scale.

I do not know if you have the modelling there. I have tabled it and I will ask Mr Raether to explain the assumptions that underpin the take-up rate in the small REC.

**Mr Raether**—On page 36 of the modelling report there is a projection of small-scale renewable energy certificates which MMA estimate are under the small-scale scheme. You will see there that the estimate starts at around 10 million RECs in 2011, but over the period from 2015 onwards it stabilises at closer to six million RECs a year. The model takes into account all existing and planned policies announced by both the Commonwealth and the state governments. A large reason for that decline from the peak of around 10 million down towards six million is partly driven by the phasing out of the solar credits—what is termed a multiplier. At the moment people get five times as many renewable energy certificates for an installation of a small scale system; that phases down to one certificate, which is the standard rate, from 2015-16. Similarly, over that period various Commonwealth and state rebates are scheduled to end, and that is also driving the decline over that period.

**Senator BOSWELL**—Thank you for that, and thank you for the tabling. It would have been handy if we had it a couple of days ago so we could have sat down and gone through it. I want to ask you, Senator Wong, about the problem that I have with the whole scheme. Grant King of Origin Energy—a very big player in this—said, ‘Aspects of RECs, such as the need to build thousands of megawatts of gas power to back up wind at a cost of billions, and expenditure on connecting wind farms to the grid will be a major factor in power price increases over the next decade.’ He then said, ‘It could be two to three hundred per cent’. That

set off alarm bells for me, because I then transferred that two or three hundred per cent to industry. I asked a few people in abattoirs and so forth what their power bills were. I was told it was around \$3 million. I thought if it goes up \$6 million it is going to really impact on the capacity to pay.

Not taking his statement as gospel, I then contacted ERM energy to do some modelling for me. ERM energy is a fairly significant player in Queensland. They modelled it and said that it would cost around 173 per cent increase. I then looked at the web and found the aluminium industry said that renewable power is going to cost as much as the power would be under an ETS. There are a number of other big players that have made submissions to your committee. There is a huge discrepancy in what you are saying; you may be right about the REC, the clear REC, but four, five or six dollars or whatever you say does not seem right to me. I think when you are considering the cost of renewable energy—

**Senator Wong**—Two, Senator.

**Senator BOSWELL**—I beg your pardon?

**Senator Wong**—It was \$2.

**Senator BOSWELL**—Alright, whatever. I suspect that is not right, but let us—

*Senator Bilyk interjecting—*

**Senator BOSWELL**—When you are considering what power renewable energy does cost I think you have got to take into consideration the overbuilds of the gas-fired generators to compensate for when the windmills cut out because there is no wind or because there is too much wind and they close down—they only operate around 30 per cent of the time. There has got to be an overbuild in the gas-fired generators to compensate. Then you have also got to work out how much these transmission lines are going to cost to bring the power in from renewable energy sites, bearing in mind most of the good sites will be taken up and the power will have to come from further out. When you add all these things together I am sure that you are not dealing with a \$4 increase. I am sure you are dealing with a huge significant increase. What I am concerned about is if we inflict a 100 or 200 per cent increase for power on our industry in Australia, we will have a lot less industry. What you are doing by subsidising a renewable energy industry is passing the cost back to Australia's already hard pressed industries at the present. I want to be convinced that Origin Energy is wrong, that ERM energy is wrong, that the aluminium industry is wrong, and that all the other people that have made submissions in a similar vein are wrong.

I suspect they are not wrong. You holding this modelling here has not allowed us to do any investigation in it. We have had to take you at your word. This modelling should have been released months ago, weeks ago. It has not been released, and if you can answer those questions.

**Senator Wong**—Senator, the date on the modelling is May 2010.

**Senator BOSWELL**—When did it come out?

**Senator Wong**—I released it this morning. It is on the web from this morning which gives people time. As you know, we did have a consultation process.

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**Senator BOSWELL**—The other—

**Senator Wong**—We can do this in a few ways. You can sit there and lecture me for a lengthy period or you can allow me to respond to a number of the things you have said, and then you can go back to lecturing me. Shall we do it that way?

**Senator BOSWELL**—Yes, good idea.

**Senator Wong**—Let us start at the beginning. I suppose it depends whether or not you want to change anything. We were of the view that we actually do need to change Australia's energy profile. We actually need to do better in renewables, we need to increase our utilisation of renewables, we have to find the policies which drive that, and we have to find the most cost-effective policies. What you are saying, when you say we do not want any impost on a big electricity user, is saying you do not want any change. The government does not agree with you, and I was under the impression that your party also was supporting renewable energy projects. Leave that to one side.

I am not going to comment directly on Mr King's assertions, as you outline them, because I do not have the text of his comments in front of me. I will make a general proposition about gas. If you were saying to me that we should listen to what people with interests in gas-fired power say, then frankly you should have passed the CPRS, because the thing that the gas-fired power sector wanted was a price on carbon. I am not going to comment on people's particular commercial interests. I would make the point that the modelling actually does go through a range of assumptions about how the electricity market will respond to the introduction of this renewable energy target. We do not just do these things without considering them. A number of the issues you raise about how the market will respond to the increased utilisation of renewable energy and the new design of the renewable energy target is precisely what this modelling was designed to work through. I appreciate you have not had the time because I have only given it to you now, but if you had the opportunity to go through it you will see the range of assumptions which are made.

In relation to the assertions of aluminium which you outlined, I would make the point that we are proposing, on the expanded target, the same level of exemption for aluminium as existed under the CPRS and exists under the current expanded RET, which is a 90 per cent exemption; a 90 per cent exemption.

**Senator BOSWELL**—Can I interrupt you for one moment: does that 90 per cent include the Howard—

**Senator Wong**—No, it does not.

**Senator BOSWELL**—So it is not 90?

**Senator Wong**—No, well, it is not 90—

**Senator BOSWELL**—It is not 90—

**Senator Wong**—You cannot have it both ways. You did not give them 90 per cent exemption from the renewable energy target you supported in government. You cannot come into this hearing and now tell me that we should now give them 90 per cent on the Howard government RET that you did not implement. I do not think it is a reasonable—



**Senator BOSWELL**—We did implement it.

**Senator Wong**—No, no. You did not give them 90 per cent of your renewable energy target.

**Senator BOSWELL**—Because it was two per cent or something. It was a toy.

**Senator Wong**—My point is we have given them 90 per cent of the expansion. If you are saying to us we should give them 90 per cent of your target, my question would be, that is not what you gave them, how can that be fair? I just want to make the point that we are giving a very substantial exemption to industries that are emissions intensive, aluminium being one of them. You have asserted again, in your question, figures of 100 per cent or 200 per cent increase. That is not correct, and if you keep saying that, what I would say to you is you are asserting facts that are not correct, and you should back them up. The modelling that has been done by MMA suggests that a typical household would have an additional two dollars a year as a result of the enhancements of the renewable energy target.

**Senator BOSWELL**—I accept what you are doing is isolating a RET and saying it is going to cost four per cent—or four, five, six dollars—

**Senator Wong**—No, two dollars a year. That is 0.2 per cent.

**Senator BOSWELL**—Okay, let us—

*Senator Marshall interjecting—*

**Senator BOSWELL**—We never hear from you. Just keep quiet. You are so totally ineffective in this place. You are a waste of oxygen. You are an oxygen bandit.

**Senator MARSHALL**—Just not knowing the answers to important questions.

**Senator BIRMINGHAM**—We have been asking for that research for quite some time, actually.

**Senator BOSWELL**—What you are doing is trying to isolate a RET. I want to know what the cost is when you add all the transmission lines and over-builds in. You may be right. It may be five dollars. I suspect you are wrong, because the people that did this modelling before said that RETs would be \$70. They went down to \$24. So it does not fill you with confidence to take as gospel their modelling.

**Senator Wong**—I make two points. One is you asked for the total costs. The current renewable energy target in this modelling is calculated for a typical household as around \$39 a year, so the \$2 is an additional to that. Second, you do make, I think, a reasonable point that there are costs of grid connection and so forth. I refer you to the modelling, where it is clear that they have sought to include estimates of costs of connection to the grid which, and I am quoting from the report, ‘can form a significant proportion of the capital costs of the project, particularly where no local transmission wires are available’. This comes back to where I started my previous answer. Yes, this is a change. Yes, this will mean changes to a whole range of aspects of Australia’s electricity market, and transmission is one of them. But you cannot change things without changing them. This is going to require changes to the market. It is going to require changes to generation. It is going to require changes to transmission. What we are doing at the moment is saying, well, what is the lowest cost way to do that, what

is the most efficient way and how much will it cost? That is the information that we provide publicly.

**Senator BOSWELL**—With great respect to you, you have indicated a cost will be \$4 but you have not included—

**Senator Wong**—Two. Senator Boswell, I am not trying to be difficult. I just do not like it when people keep mis-stating what my evidence is.

**Senator BOSWELL**—If you want to argue over \$2, be my guest.

**Senator Wong**—Well, you are currently arguing over \$2.

**Senator BOSWELL**—All right, \$2. But you are being very selective in the fact that you are not including the overbuilds of gas-fired power stations to take up the slack when the windmills do not work. There is no geothermal—

**Senator Wong**—We are. The modelling makes assumptions about that. You may disagree with the assumptions—

**Senator BOSWELL**—So that is part of the \$2, is it?

**Senator Wong**—The modelling makes assumptions about the changes to the rest of the market in order to come to an estimate of what the actual cost will be. You may disagree with the assumptions and people in industry may disagree with the assumptions, but it is wrong to say that the modelling has not sought to take it into account.

**Senator BOSWELL**—Are you saying that the modelling, or the \$2 figure that you—

**Senator Wong**—Can I ask that the tabled document be put in front of Senator Boswell?

**Senator BOSWELL**—I have the tabled document. Unfortunately I am not—

**Senator Wong**—That is not the tabled document, the full tabled—

**Senator BOSWELL**—I am not a solicitor. I am a seller of paint brushes by trade and I do not have a capacity to look at a 39-page document and then make—

**Senator Wong**—I was going to ask if Mr Raether could refer you to the part of the document that deals with the issues you are raising, that is all. If you have the document in front of you—

**Senator BOSWELL**—I will read the document carefully after.

**Senator Wong**—We are just trying to be of assistance.

**Senator BOSWELL**—I will not have the opportunity to ask you these questions after.

**Senator Wong**—And I am trying to answer them.

**Senator BOSWELL**—I know you are.

**Senator Wong**—Senator, bear with me for a couple of minutes as this might help you later when you are reading it. If you just let Mr Raether take you to the parts of this modelling which actually deal with some of the policy issues you are raising, it might be of assistance to you.

**Mr Raether**—Beginning on page 5, the MMA report outlines the general methodology used. The MMA report is based on a full electricity market model, which means it takes into account the costs of all forms of generation, such as coal-fired and gas-fired generation. It also looks at the cost of different renewable energy technologies and it is a full model of how those technologies compete in the electricity market through the dispatch system. Some of the issues to which you are referring in terms of the interactions between renewables and gas-fired technology, in terms of some of the intermittency issues around wind, are explicitly what the modelling seeks to capture through that process. That obviously involves a number of assumptions around cost structures for things like coal, gas and feed stocks for renewable energy.

**Senator BOSWELL**—I am not asserting that the increase of 200 to 300 per cent is due to the RET or the cost inflicted by the RET. There will be increases in coal prices and in gas prices; I concede that. You have told us what the average cost to a householder will be. What will the increase be to industry, to someone that actually employs 5,000 or 6,000 people in an abattoir? What will their cost increase be?

**Senator Wong**—Obviously that depends—

**Senator BOSWELL**—When you include the overbuilds, the transmission lines and the RET, what is it going to be?

**Senator Wong**—The proportional change in price as a result of the enhanced RET, as I said, is about 0.22 per cent. This is a per annum price. I think where we might be ships in the night is that some of the issues you raise obviously would have already been built into the estimated cost increase from the original RET. We have made some design changes which will separate the big and the little RET and we have modelled what those additional design changes will do in terms of additional costs. That is a couple of bucks a year for the households and 0.22 per cent for other users, bearing in mind that does not take into account the 60 and 90 per cent exemptions for industry. There is an underlying increase from the existing RET which was already passed by the parliament. Some of the issues you raise would already have been built into the assumptions underpinning that increase, which was more significant, at 4.2 per cent. That was a higher increase. The RET that we have already passed we model at around 4.2 per cent increase on electricity prices.

**Senator BOSWELL**—Let us accept Teys as a case in point because they gave evidence here and I know they would not mind me using their name. Teys are an abattoir, a big abattoir, probably the second biggest—

**Senator Wong**—I have met with them previously.

**Senator BOSWELL**—Can I be confident in telling them that between now and 2020, their bill will only go up four per cent due to the renewable energy target?

**Senator Wong**—That will depend on what their bill is.

**Senator BOSWELL**—Their bill is something like \$3 million. It should not matter what the total of the bill is; it is a percentage.

**Senator Wong**—Our estimates about the proportional change in electricity prices is 4.2 per cent including both the current RET and the additional changes we have made. I am not aware as to whether they have any exemptions under the renewable energy target currently?

**Senator BOSWELL**—No, they are direct buyers; they would not have any exemption.

**Senator Wong**—People are shaking their heads. It is 4.2 per cent, bearing in mind that is only a 0.2 per cent addition to what they are already paying. The four per cent is already there; we are talking about a 0.2 per cent change. Senator, I am very pleased to arrange a private briefing for you on this issue if you wish and if you want Teys or someone else to be included for some part of that, we would be very happy to facilitate.

**Senator BOSWELL**—I can go out to the industry and to householders and say, ‘The cost of this renewable energy target—the Minister has guaranteed and it is on *Hansard*—will be \$2 a week and 4.4 per cent as far as industry is concerned’?

**Senator Wong**—No, what the minister—

**Senator BOSWELL**—Let me get this out; that covers the cost of transmission lines, it covers the cost of an overbuild. If you can guarantee—

**Senator Wong**—No, this is a market and you would not expect me to guarantee everything that a market will do. What I can say is the best estimates the government has got before it, that have been released publicly, are that the combined existing renewable energy target is around a four per cent increase in electricity prices—this is out to 2015—and that the changes that are before the parliament would be about a 0.2 per cent increase on top of that.

**Senator BOSWELL**—Obviously I cannot dispute you at the moment but I think this would have been more satisfactory if you had put this out—

**Senator Wong**—I have.

**Senator BOSWELL**—Yes you have, on the day that the Senate inquiry is sitting. That does not give us the opportunity to go through it or get someone to have a look at the assumptions in this modelling. Before I can go into this, I have got to accept that what you are telling me is right. I suspect that it is not right because Origin Energy, ERM energy and some of the other generators whose names I will not mention have said 100 per cent or 200 per cent is in the ballpark.

**Senator Wong**—I understand that the committee is inquiring into this legislation tomorrow and we have released this today. We have also gone through quite an extensive process of consultation. In fact, Mr Hunt from your side criticised me for not bringing this legislation through earlier because we were in fact consulting with industry about how to implement it. I know you and Mr Hunt do not necessarily speak with the same voice, but I have to say it is a little hypocritical for the coalition on the one hand to be telling me, ‘Bring it forward quickly’ and on the other saying, ‘You have not done enough work with industry on it.’ Since the announcement we have worked through with industry the detail of the implementation. We are now putting out the modelling, as you have been requesting, and I have offered you a private briefing, including with stakeholders that you wish, if that is what you wish—which I note you have not taken up, Senator Boswell. You are welcome to contact my office if you wish. I have one issue I just want to make sure I place on the record about the price increase.

The actual amount that the renewable energy target increases electricity by does depend on when you assume Australia will have a carbon price. Given the decisions the government has made on the CPRS, the modelling has two start dates for the Carbon Pollution Reduction Scheme, one in 2013 and one in 2014. The figures I have given you are the cost increase if the CPRS commenced in 2013. If the CPRS commenced a year later the impact of the RET price would in fact be higher.

**Senator BOSWELL**—What if the CPRS does not come in at all?

**Senator Wong**—The impact of the RET price just on this issue would be 0.2 per cent higher than what I have said, so it would be 4.4 per cent in total—that is, existing RET plus enhancement as opposed to 4.2 per cent. There are reasons why that is the case which I can get someone to take you through if you wish.

**Senator BOSWELL**—What is the assumption then if the ETS does not come in at all, if it is defeated in the Senate or the government has changed?

**Senator Wong**—We have not modelled that.

**Senator BOSWELL**—You have not modelled it?

**Senator Wong**—No. That is not our policy.

**Senator BIRMINGHAM**—Which options around the ETS timeline have you modelled?

**Senator Wong**—A 2013 start and 2014 start.

**Senator BIRMINGHAM**—A 2013 start and a 2014 start?

**Senator Wong**—Correct. What you should know is that, if there is no price on carbon, the likelihood is the cost of the RET will actually increase.

**Senator BOSWELL**—By how much?

**Senator Wong**—I can only give you what we have done with a deferral. Deferral costs 0.2 per cent. The year of delay between 2013 and 2014 would increase the costs of the RET by 0.2 per cent.

**Dr Parkinson**—That occurs because the absence of a price on carbon does not create the incentive for low emissions energy investment and does not create an incentive for enhanced energy efficiency and slower growth in demand. By extension, it means the cost would be higher but we would have to know whether the CPRS was never going to come in before we could actually get an estimate. We have to basically do an entirely different modelling run.

**Senator BOSWELL**—There is a huge gap a hundred miles wide between what you are saying, Senator Wong, and what the industry is saying.

**Senator Wong**—I do not accept that.

**Senator BOSWELL**—I suspect that I will—

**Senator Wong**—I am sorry, Senator, I do not accept that. There are lots of different parts of industry and there are renewable clean energy companies which are calling on your party to pass this legislation.

**Senator BOSWELL**—Absolutely.

**Senator Wong**—So, when you say ‘industry’, it is not all industry. But if you have information that suggests that there is a 100 per cent increase then you should put it to us and we will respond to you.

**Senator BOSWELL**—I was going to do that when I could go through your assumptions and your modelling and compare the modelling. It makes it very hard when you have not got the modelling to do anything. Now I have the modelling.

**Senator Wong**—Senator, can I just make this point? You are asking me to respond to modelling you will not provide me with but you are having a go at me for providing you with modelling today.

**Senator BOSWELL**—I will compare the modelling.

**Senator Wong**—Why do you not give us yours and we will tell you what is wrong with it?

**Senator BOSWELL**—I am not prepared to do that.

**Senator Wong**—On the one hand we have a range of—

**Senator BOSWELL**—I will ask the people that have done the modelling and whether they are prepared to put it up.

**Senator Wong**—Sure and we would be very happy to give you our view, whether privately or otherwise, about what is contained in that.

**Senator BOSWELL**—Alright. What is going to stop this explosion of photovoltaic cells, heat pumps and solar systems just flooding the market with RETs—small RETs or little RETs as you call them—and the big end of town is going to have to buy all these as well. We have already seen 41,000 gigawatt hours happening after your first start, which was spectacularly unsuccessful. So we now have to come back and address the problem of so many RETs going on the market that it collapsed the price and caused some casualties, I might add, down in the sugar industry. They have gone belly up with their cogeneration plant.

**Senator Wong**—Not because of that, Senator.

**Senator BOSWELL**—That is what it was.

**Senator Wong**—You and I had a discussion about this and there are a range of reasons about how that business sought to set up its—

**Senator BOSWELL**—It was set up with the New South Wales Labor government.

**Senator Wong**—Yes, I know. That is kind of where you started but I have to say, Senator, you cannot really have it both ways. You cannot say there are problems with the RET that has caused this particular enterprise to not get a high enough RET price and then tell me that you do not want me to make the changes that are designed to resolve some of the market concerns about the interaction of the big and the little RET.

**Senator BOSWELL**—Yes, they did suffer but I am worried about the unintended consequences that will flow on to other industries by an explosion of small RETs because I think what will happen is that the higher the prices go up the more people will put these things on their roof and it will be an ever increasing circle of more RETs higher prices, more PVAs higher prices.

**Senator Wong**—This is sort of where we started, Senator, and as we explained to you the modelling does make assumptions about that. But I think Mr Leeper was keen to assist you.

**Mr Leeper**—We have already told you that the modelling estimates that the number of small-scale certificates will fall as the solar credits multiplier unwinds and as the state based schemes reach their maturity dates. In addition, the proposals set a fixed price for the small-scale certificates of \$40. So, there is no longer a signal from the market place through to the effective end price that a person installing PV might pay. The small-scale certificates will have a fixed price in the market place, and we have indicated that we estimate that the number of certificates will fall down to about six million and then maintain a small but stable trend growth path.

**Senator BOSWELL**—Thank you. Thank you, Madam Chair. I might come back. I have some other questions but I would like to give someone else a go.

**Senator Wong**—Is there anything more on the renewal energy target?

**Senator BOSWELL**—There is but I might address it tomorrow.

**Senator Wong**—My offer remains if you want to let my chief of staff know if you want a private briefing.

**Senator BOSWELL**—Thank you, very much.

**CHAIR**—Thank you, Senator Boswell. Are there any further questions in program 1.1?

**Senator BIRMINGHAM**—Just to try and finish off at least on the renewal energy target. Firstly, if I can go to the two types of modelling or the two modelling options that you raised, Minister, the 2013 and 2015—

**Senator Wong**—14.

**Senator BIRMINGHAM**—2014, sorry, ETS start dates. I was just trying to scramble my way through the tables to see the exact table to which you were referring.

**Senator Wong**—Sorry, Senator, I was reading off a different brief. If you go to page 33, Mr Raether will take you through it.

**Mr Raether**—The start date 1 July 2013 in terms of the price impacts begins on page 32 and then goes on to page 33. As Senator Wong was referring to, there is a four per cent price impact from the current RET plus 0.2 per cent, or 0.19 per cent as it is on page 33, reaching a total of 4.2 per cent for 1 July 2013 start date.

**Senator BIRMINGHAM**—As it has been described in here, in terms of the enhanced RET changes, 0.19 per cent—

**Mr Raether**—That is correct, yes.

**Senator BIRMINGHAM**—to the period 2010 to 2015 is the additional price increase?

**Mr Raether**—Similarly on page 43, the final page of the report, you will see that that is 0.22 per cent for the enhanced RET changes.

**Senator BIRMINGHAM**—However, the modelling shows a fairly quick evening out then in the subsequent five years?

**Mr Raether**—That is correct, yes.

**Senator Wong**—The way the modelling is set up is it describes the 2013 start date with all the price issues and then the same for 2014, and you have to compare. We might tabulate that if we have time before tomorrow's inquiry so that it is easier to compare.

**Senator BIRMINGHAM**—That is fine. I was looking at those two tables but I was looking at the latter figures rather than the 2010 to 2015. I had not picked up that that was the year you were talking about the difference in, so thank you for that. This modelling has been undertaken on the premise of states doing as they currently are or what they have already announced?

**Senator Wong**—In terms of subsidies for small-scale units?

**Senator BIRMINGHAM**—Yes.

**Senator Wong**—There is in fact a page which actually goes through the assumptions on that. This is what I was reading yesterday while you were—

**Senator BIRMINGHAM**—You could have shared it with us.

**Senator Wong**—Sorry?

**Senator BIRMINGHAM**—You could have shared it with us earlier.

**Senator Wong**—I thought it was a good idea if I actually read the entirety of it first.

**Senator BIRMINGHAM**—It hardly makes it an even contest then.

**Senator Wong**—Sorry, it is actually page 15. I suppose that is why I am a minister.

**Senator BIRMINGHAM**—Page 16 even?

**Senator Wong**—Page 15 has the assumption, for example, on water heaters and it goes through those assumptions. There is a table, which I think is more a snapshot of existing policy in relation to rebates, and then there are assumptions outlined on the subsequent three pages. What you are alluding to is actually a real policy issue, which is that this market is not only guided by what occurs through Commonwealth legislation and market responses; there are a range of other policies that impact upon the market which state or local government can put in place. In an ideal world, you would have simply one policy framework which applied across the country, but the reality is that state governments—and possibly local governments—will have their own views about what additional assistance they want to provide to renewable energy. I think the best way the Commonwealth can deal with it is to try and set the best overarching legislative and policy framework we can, taking into account, as best we are able, the various state policies. If you look at page 16 you will see there are quite a range of different subsidies in place from state governments. I do not want this legislation to be subject to the Commonwealth having to negotiate an agreed framework with the states in relation to those subsidies because I think that would be detrimental to giving the market the sort of certainty they are demanding.

**Senator BIRMINGHAM**—Minister, are you suggesting negotiating with the states is—

**Senator Wong**—I do a lot of negotiating with the states, and if I can do that without having to deal with these policy issues, I think that would be better for the market.



**Senator BIRMINGHAM**—Does the modelling consider the impact of feed-in tariffs?

**Senator Wong**—Yes. If you look at the subsequent pages—

**Mr Raether**—Yes, from page 17 onwards.

**Senator Wong**—Page 17 onwards talks about the assumptions under small-scale PV—

**Senator BIRMINGHAM**—Noting your desire not to get bogged down in negotiating with the states and—

**Senator Wong**—I just do not think it is a good thing for the country to have the market certainty that large-scale renewable projects require subject to a negotiation on the amount of rebate that a state might put in place, particularly given that we can make assumptions about it, and really the biggest driver is still the Commonwealth renewable energy targets. It would be like the tail wagging the horse, or whatever the phrase is.

**Senator BIRMINGHAM**—Indeed. Before I go to tails wagging dogs, horses or camels, or whatever—

**Senator Wong**—It is my fourth day in estimates, Senator!

**Senator BIRMINGHAM**—other feral animals we talked about yesterday—

**Senator Wong**—Sorry, I missed that bit.

**Senator BIRMINGHAM**—I did not get to the question, I was still on feral animals from yesterday! Does it also include, or take account of, I guess, state targets that have been put in place—in particular, of course, our home state, where the state government applies, I think, a 30 per cent target? Their mechanisms to get there are a little hazy, but—

**Senator Wong**—As you know, South Australia does have a very large proportion of wind energy. I cannot recall what it is, but the state target is an aspirational target, which I think they are actually on track to do better than.

**Senator BIRMINGHAM**—To meet the aspirational target—whatever ‘aspirational’ means.

**Senator Wong**—It is not a hard legislative target like the renewable energy target—that is what I am saying.

**Senator BIRMINGHAM**—If I can return to the issue of the tail wagging the dog, what consultation—

**Senator Wong**—Yes, I got the wrong animal. Like I said—four days in estimates.

**Senator BIRMINGHAM**—Indeed. What consultation did you have with the states prior to putting in place this framework, and what at least comfort does the Commonwealth have that the states are not about to go and fundamentally change the ball game? Most importantly, what comfort does industry have in that regard?

**Ms Shayleen Thompson**—Senator, I am the head of the strategies and coordination division in the department. One of my roles is to lead work with the states on the renewable energy target. As part of our work with the states we held a consultation meeting a few months back where we ran through the changes to the LRET and also talked to them about

how that would impact on the ongoing COAG review of issues for the RET. The states were aware of what we were planning and had the opportunity to give their views on that.

**Senator BIRMINGHAM**—Have the states been asked to at least provide some degree of comfort that they are not about to start pulling the policy levers dramatically in their own way that would have a marked impact on the flow through costs of the little RET?

**Ms Shayleen Thompson**—I think the states and territories are increasingly aware of the impact of their policies on the RET with respect to uptake of small-scale technologies. They are aware of that sort of impact. However, we have not moved to have formal discussions with them on measures that would look to limit those sorts of approaches.

**Senator BIRMINGHAM**—You mentioned the COAG review and COAG reports that have been undertaken. I understand COAG received a specific report on the operation of the RET in December 2009.

**Ms Shayleen Thompson**—That is correct.

**Senator BIRMINGHAM**—Was this approach a recommendation of that report?

**Ms Shayleen Thompson**—That report is still before COAG, it is for COAG consideration, so I feel it would not be appropriate for me to comment on that at this time.

**Senator BIRMINGHAM**—COAG kind of becomes this amorphous body which has its own life sometimes.

**Senator Wong**—You cannot have it both ways, Senator.

**Senator BIRMINGHAM**—This is kind of fundamental. COAG is where the states and the Commonwealth come together, and I would have thought that, if this approach is COAG endorsed, that would be very helpful to your argument in support of these changes.

**Senator Wong**—If I can, I suggest you cannot really have it both ways. You either agree with me and think we need to get on and legislate and give the market the certainty you want or you want me to put it through a COAG process to determine whether we can get agreed framework for the incentives that the states will provide—which obviously would be subject to whatever state elections were held over the next number of years. The market needs a different level of certainty than that. I agree with you—I would like, in a pure policy sense, a much more consistent set of policies across the nation about this—but my judgment is that what we need to do is provide industry with more certainties than that, and the primary driver of certainty is the Commonwealth target and the Commonwealth legislation. Really, if you look at these incentives—two of which are actually Commonwealth incentives, the rebates—we have control over our policy and our rebates, bearing in mind that the current framework has been built into the assumptions as to demand for the little RET.

**Mr Leeper**—At its meeting in April, COAG did note the proposed policy changes to the renewal energy target scheme. I will not pretend to know there necessarily was discussion about it—I was not in the room. But the communique certainly notes the Commonwealth's proposal to split the scheme into two parts. It is certainly a matter that has been in the attention of state and territory officials and their premiers.

**Senator BIRMINGHAM**—In a different guise the minister gave me some advice on noting things yesterday morning.

**Senator Wong**—I think I was just commenting on the ‘let it be noted’—that is all.

**Senator BIRMINGHAM**—Indeed you were.

**Senator Wong**—That is all right—at least you did not talk about dogs and horses!

**Senator BIRMINGHAM**—However, I am happy to know that COAG has noted the changes. Has COAG undertaken a review?

**Senator Wong**—Yes.

**Senator BIRMINGHAM**—That review was tabled and considered at the December COAG meeting?

**Senator Wong**—There are two reviews.

**Senator BIRMINGHAM**—Two reviews?

**Senator Wong**—Ms Thompson might be able to clarify.

**Ms Shayleen Thompson**—An initial report on the review was provided to the COAG secretariat in December. Our understanding is that COAG is yet to formally consider that report.

**Senator Wong**—Can I be clear: I am very happy for us to try and work with the states to get a more consistent set of policies across the nation. My point is I do not want to have that process holding up the passage of the legislation.

**Senator BIRMINGHAM**—I think at the last election it was the stated aim or policy of the environment spokesman, Mr Garrett.

**Senator Wong**—We did that—this is the standard feed-in tariff?

**Senator BIRMINGHAM**—No, developing consistent feed-in tariffs.

**Senator Wong**—Yes, we have done that. We have agreed principles through COAG on feed-in tariffs. That election commitment has been dealt with, but obviously within that framework states will still choose their own particular design—as you can see in the rebate incentive on page 16, for example, which is direct grant payments, from memory, for solar hot water.

**Senator BIRMINGHAM**—Agreed principles around feed-in tariffs are nice but it does not seem as though it has flowed into the actual policy implementation by the states in terms of the levels of feed-in tariff and something that might appear to be a consistent feed-in tariff across the nation.

**Senator Wong**—I do not think it is your policy to have a feed-in tariff across the nation. I have been absolutely up-front with this. The driver from the Commonwealth government, the Rudd government, is the renewable energy target. I am not of the view, as I know Senator Milne has put it, that we should have a renewable energy target and a national feed-in tariff. I have consistently said I think you should have one substantial policy mechanism—not have a set of layers of policy mechanisms essentially to achieve the same outcome. Frankly, I think your party would not support that either, unless something has happened overnight.

**Senator BIRMINGHAM**—No. In fact, I am trying to explore the issues on a state-by-state basis and the fact that some states are still adopting vastly different approaches to feed-in tariffs.

**Senator Wong**—That is true. If you have the magic wand that would put an end to that, please share it. I would not want to allow those issues around feed-in tariffs for one particular technology to prevent the multibillion-dollar investment in clean energy that is dependent on the passage of this legislation. I do not know if Ms Thompson had anything on feed-in tariffs.

**Ms Shayleen Thompson**—Just to note that the Ministerial Council on Energy was tasked with an ongoing work plan to look at feed-in tariffs and ways in which they could be reviewed with a view to aligning them with the principles that COAG agreed. The Department of Resources, Energy and Tourism has responsibility for that ministerial council, so you might wish to pursue the matter with them when they appear before the committee.

**Senator Wong**—In terms of the amounts of money, we are talking up to \$19 billion worth of investment. That is the scale of clean energy investment driven by this policy measure. So yes, I am pretty keen to give industry what it needs to drive that investment.

**Senator BIRMINGHAM**—Do either you or the department have a copy of the COAG report or reports?

**Senator Wong**—That is with COAG.

**Ms Shayleen Thompson**—It is a COAG document. As I said earlier, we do not believe it would be appropriate for us to look to pass that over in advance of COAG's consideration.

**Senator BIRMINGHAM**—The question was not whether you would pass it over. The question was: does the department actually have a copy of it?

**Senator Wong**—Yes, we do. But, to pre-empt your next question, the release of a COAG document is a matter for COAG.

**Senator BIRMINGHAM**—Is this approach consistent with that COAG review?

**Ms Shayleen Thompson**—One of the issues that COAG was looking at was the volatility on the spot prices of the REC market. When the government announced the changes to the LRET and the SRES proposal, the government indicated that, in its view, this new proposal dealt with some of the policy concerns associated with the volatility of RECs on the spot market. That is the discussion that we had with the states and territories when we met with them. My understanding is that there was a general feeling that that was in fact the case.

**Senator BIRMINGHAM**—I appreciate that these changes have been drafted driven by much the same motivation with which COAG initiated the review into these issues. That motivation was, of course, all of the unintended consequences that flowed from the initial changes to the RET and other policy measures that were out there in the marketplace that saw the stalling of the investment that the minister is highlighting. I appreciate they were both driven largely by the same concerns and that this policy attempts to address those concerns. The issue is, though: do this policy and this legislative package address those concerns in a manner consistent with the recommendations of the COAG review? Did the COAG research provide recommendations and, if so, is this consistent with them?

**Senator Wong**—Let us remember the sequencing of this.

**Mr Leeper**—This is actually from the COAG communique. It noted the Commonwealth announcement to separate the RET scheme was:

... intended to address concerns being considered by the COAG Review of Specific RET Issues regarding Renewable Energy Certificate (REC) prices and additional RECs not backed by generation as part of the Solar Credits mechanism

So, yes, the proposals in the bills before committee at the present time are consistent with what COAG noted in its 19 April communique. There remains work on foot relating to the remainder of the terms of reference around the review of specific RET issues. That work is under way but has not been completed.

**Senator Wong**—I think I have publicly stated some of those issues deal with eligibility.

**Senator BIRMINGHAM**—Did the COAG review inform your drafting of the legislation in terms of this proposal?

**Senator Wong**—It was a factor. We were aware of it, obviously. The department participated—

**Senator BIRMINGHAM**—I did not mean the existence of it; I actually mean the content of it.

**Senator Wong**—The Commonwealth was integrally involved in the drafting of the COAG document, which is not surprising. Yes, we are aware, more than aware, of its existence.

**Senator BIRMINGHAM**—In some ways this is meant not as a criticism of the department but probably a criticism of the COAG process—it seems that, of course, these reviews are undertaken by COAG, yet policy moves on at probably a far greater speed than COAG ever manages to keep up with. We are never quite sure whether the good work and good reviews of COAG ever actually match up with the policy, which has moved ahead due to a whole range of factors. When these reviews of COAG are not released for whatever reason, it becomes even harder to ascertain whether policies have been drafted in light of those reviews.

**Senator Wong**—That is an opinion. What I would say on that is that, under this government, COAG has actually had a very substantial reform agenda. Water and health are two that come to mind, along with housing. Quite a lot has been transacted through COAG in a short space of time—certainly substantially more, if I may say, than occurred in similar time frames under the previous government.

**Senator BIRMINGHAM**—We will not take the rest of the day debating each of those issues or their merits.

**Senator Wong**—I am very happy to talk about water and what happened with it.

**Senator BIRMINGHAM**—We had time last night—perhaps we never have enough. Yes, we could talk about your Victorian colleagues there.

**Senator Wong**—That shows—I was going to say ‘the duplicity’, but that is a bit mean—the inconsistency of your argument. On the one hand you say the Howard government could not get its water policy off the ground because of the states. On the other hand, you are

implying that I should wait for this policy in order to get the agreement of the states. We do not propose to do that.

**Senator BIRMINGHAM**—I have not said that, so do not verbal me.

**Senator Wong**—I am sorry; I thought that was precisely what you were inferring.

**Senator BIRMINGHAM**—I have posed a lot of questions trying to ascertain what you have actually—

**Senator Wong**—You do not need to be sensitive, Senator. I thought that was precisely what you were inferring.

**Senator BIRMINGHAM**—I am not being at all sensitive. You never like anybody putting words in your mouth.

**Senator Wong**—True.

**Senator BIRMINGHAM**—I am just making sure that the same applies.

**Senator Wong**—It was an inference from your questions—I acknowledge that.

**Senator BIRMINGHAM**—Thank you. What outstanding matters are there for the COAG review related to future changes in policy around the RET that may need to be considered?

**Ms Shayleen Thompson**—As my colleague Mr Leeper said, the COAG is still examining the eligibility of small-scale technologies and heat pumps, self-generation exemption provisions which relate to remote projects off-grid, whether an arrangement like the RET solar credits multiply could be used to support small-scale off-grid renewable generation in remote communities and, finally, the treatment of new waste coal mine gas power generation in the RET.

**Senator BIRMINGHAM**—When do you expect to resolve each of those issues?

**Ms Thompson**—We are working towards having these issues considered by COAG at its next meeting.

**Senator BIRMINGHAM**—Which is when?

**Ms Thompson**—The timing of COAG is a matter for the Prime Minister and his department.

**Senator BIRMINGHAM**—That gives you a fixed time line to work towards, then, does it not?

**Ms Thompson**—Indeed.

**Senator BIRMINGHAM**—I think that will do me for now on the RET.

**Senator WORTLEY**—Minister, my questions stem from some of the comments made by Senator Boswell. If the assistance rates to industry were increased, who would eventually pay?

**Senator Wong**—The households, or electricity users, I suppose. That would be those aspects of industry which were not advantaged by any increases in assistance, such as an exemption, and households who obviously are not exempted. Mr Raether might be able to assist further.

**Mr Raether**—Yes, that is correct. To the extent the RET legislation provides exemptions to particular emissions-intensive trade-exposed activities, that does not affect achieving the overall renewable energy target which means the burden falls on other electricity users other than those assisted entities.

**Senator Wong**—That is households and non-assisted industry.

**Mr Raether**—Yes.

**Senator WORTLEY**—If the small scale RET were capped, would that mean that some households would miss out on the subsidies and, if so, what would that ultimately mean for the project?

**Mr Raether**—That is correct. If a cap was put on the small scale renewable energy scheme, the consequence of that would be essentially a running out, if you like, or a queuing, so there would be so much assistance give out to households and some households would miss out.

**Senator WORTLEY**—Why is it that price certainty is so important for small scale installers and householders?

**Mr Raether**—One of the issues that has come out through consultation is that consumers like to have certainty over the level of assistance they receive when installing small scale systems. The government has taken that into account in designing the new scheme.

**Mr Leeper**—A fixed price for the small scale certificates removes at least one of the elements of uncertainty for the large scale parties who have obligations. Whilst the small scale scheme remains uncapped, the fixed price nature gives them at least one dimension of certainty. In response to Senator Boswell's questions, we have talked about the projections on the numbers of small scale certificates. The scheme itself would remain uncapped, but the price is fixed, at least until 2014.

**Senator BILYK**—What projects are being held up or being impeded by the failure to pass the enhanced RET, or alternatively, what investments would be unlocked if the enhanced RET passes?

**Senator Wong**—Obviously we cannot speak for the investors. I can tell you what some of them have said publicly. I do not know if Mr Raether wants to add to it.

Certainly there have been some issues with the Macarthur Wind Farm project in south-west Victoria, which is an AGL project with 365 megawatt capacity. There have been some issues with that project in terms of the uncertainty associated with the large scale RET price. I noticed that within a few days of our announcement in February, AGL announced it had entered into conditional arrangements for the construction of that wind farm in south-west Victoria. Other projects which have been discussed include one at Musselroe Bay in Tasmania. I do not want to speak for the investors, but my recollection is that they have sought passage of the legislation. Quite a number of industry representatives, including the Clean Energy Council, Mr Michael Fraser from AGL, Pacific Hydro and others, have called for passage of this legislation to give industry the certainty it needs for projects. For example, AGL has said:

It is critical that these four reforms are legislated as soon as the parliament resumes. The consequences of these reforms not being legislated before a Commonwealth election are a loss of investment, loss of jobs and a stalling of confidence by investors in energy infrastructure investment. There are very big renewable energy projects right around the country which are on hold awaiting the passing of that legislation.

Obviously there is a view in the market that it is important.

**Senator BILYK**—Thank you for that answer, and obviously being a senator from Tasmania, I am particularly interested in what might happen with Musselroe. Is it likely that we could exceed 20 per cent by the 2020 target?

**Mr Raether**—The modelling that has been done by MMA projects that the target will actually reach around 22 per cent by 2020, so an increase above the 20 per cent target. The modelling also shows that around \$2.3 billion of additional investment in large scale renewable energy generation will be brought forward by the changes to the scheme.

**CHAIR**—Are there any further questions on the RET?

**Senator LUDLAM**—Following on from Senator Bilyk's questions, and I do not know if you want to confirm this, but there was a widely held view in the industry that the former government's renewable energy target, which was met a couple of years early effectively, became a cap to investment, and investment was delayed because we reached the target early. Is that a view that the department shares? In the context of the question that Senator Bilyk just put to you, do you see that kind of effect happening in the event that we do reach the 20 per cent target earlier than the target date? I am referring to the two per cent target increase that was operating under the former government.

**Senator Wong**—Renewables actually went backwards under the former government.

**Senator LUDLAM**—As a proportion or as total capacity?

**Senator Wong**—As a proportion of electricity supplies. Between 1997 and 2007, it actually dropped from I think 10.5 to 9.5. These figures are from ABARE. Obviously, the actual proportion of renewables can exceed the mandated target, but that will be a function of price. You would also know that the Howard government rejected the advice of its own review to increase the target. The target announced by the government, the LRET 41,000 gigawatt hours, which is a very substantial increase from where we were, has given industry a fair amount of certainty, bearing in mind that central to the logic of this policy is to try to bring forward investment. It is the case that you would want to have a price on carbon as well, so you would have the transformation of your energy sector driven by both policies over the medium term.

**Senator LUDLAM**—That did not quite go to the question I asked. What happens to the price of a renewable energy certificate? We have a target that is expressed as a percentage, but that is actually mandated as a fixed number of megawatt hours.

**Senator Wong**—Correct.

**Senator LUDLAM**—What happens to the price—

**Senator Wong**—Which is what industry would want. They would want to know—



**Senator LUDLAM**—I am not attacking that approach. What happens to the price of a certificate if we get close to that target well before 2020, as was the case under the former government's two per cent target?

**Senator Wong**—The difference between this target and that is the quantum, but that is an important point. I do not mind dealing with policy principles, but the factual circumstances are relevant here. You are talking about a target that increases renewable energy in this country by 400 per cent over a decade. A lot of investment will have to occur to meet that target. You are talking about if we get a 400 per cent increase a couple of years early, what will happen to the RET price? I suspect government will be well in a position to discern if that is coming. There is a review of the RET in 2014, from my recollection. If the meeting of the target is ahead of expectations, government could deal with it at that point.

**Senator LUDLAM**—I am aware that this is an industry that does frequently exceed expectations when you take the brakes off, as occurred under the former government. They met their target early. You have just said there is a review, and the government would look at that and perhaps lift the target if the industry was outperforming?

**Senator Wong**—I do not want to go to the second bit, because that would be me signalling a particular policy position ahead of a review. I am saying that there is a review in 2014. Obviously the operation of the MRET is that review, and if the circumstances to which you are alluding arose, that would be something the government would have to consider at that time. Again, the factual paradigm we are working in is a very substantial increase in the target, 400 per cent, compared to where we are now, a four-fold increase, so it is probably difficult to extrapolate from a very small target to that in terms of what might unfold.

**Mr Leeper**—Might I add there, and this is a trap we tend to fall into, the spot price in the market at the present time we would contend is heavily dominated by the cash flow requirements of installers. The department certainly is not able to detect or discern long-term contractual arrangements which are almost certainly in all cases private between the relevant parties. What you are getting with the changes in front of the committee now and tomorrow is a breakpoint in the history of looking at the spot price of these certificates. We will be fixing the price for the small-scale certificates at \$40. We do not know now, and we may not know in the future, what is happening in the large-scale sector because those are virtually individualised agreements between generators and the retailers. The spot price itself is not necessarily a true guide to what is happening in the large-scale markets.

**Senator LUDLAM**—That is fine; I acknowledge that distinction. Does the government or the department have a view on the final mix of technologies that will meet the 20 per cent target, or are you just going to let the market work that out?

**Senator Wong**—Yes and yes, I suppose, to the two parts of the question. The modelling looks at the different types of generation, the different technologies, and makes assumptions about when different technologies would come on stream. You were not in the room, but we have released the modelling on the enhanced renewable energy target and I have had a lengthy discussion with Senator Boswell about—

**Senator LUDLAM**—I am sorry I missed that.

**Senator Wong**—Yes, I am sure you will be very sad about that for some time. That has been tabled and you will see there are assumptions about which types of generation come on stream and at what time. Do you have a copy of it, Senator?

**Senator LUDLAM**—Yes.

**Senator Wong**—If you turn to page 40, I can get Mr Raether to explain it to you, but I do want to come back to your second issue because I think you are actually referencing banding or some other policy mechanism. I want to explain to you why the government does not support those.

**Mr Raether**—Certainly as you can see on page 40, because of the large increase in the size of the targets, it pulls through a range of renewable energy technologies. There is a significant contribution from biomass, things like sugarcane trash in Queensland, also hydro, and obviously a significant amount of wind. It is also cognisant of assumptions about when geothermal will be technically viable. The modelling has a significant amount of geothermal coming into the RET particularly in the period after around 2018.

**Senator Wong**—Do you want me to respond to the second part of your question?

**CHAIR**—Perhaps you could do that, Minister, and then we are scheduled to be at morning tea.

**Senator LUDLAM**—Are we coming straight back to this after?

**CHAIR**—Yes, we will come back to RET after that.

**Senator Wong**—I am happy to do it after the break.

**CHAIR**—Thank you.

**Proceedings suspended from 10.46 am to 11.05 am**

**CHAIR**—Minister, you were responding to Senator Ludlum.

**Senator Wong**—Yes, thank you. Senator Ludlum, the second part of your question was whether we were just relying on the market. The answer is no, in the sense that there are a range of other investments the government is making through the budget, through various programs into different technologies. What I have expressed to stakeholders previously is that my view is it is important to remember when we are designing the renewable energy target that we are in fact creating a market. It is a market-based mechanism to bring forward investment in renewables. There are legitimate arguments or legitimate issues about the development of other technologies but I do not think it is a sensible policy approach to fiddle too much with a market in order to deal with those. It is a question of what is the policy problem and what is the best way of dealing with it? For example, in relation to geothermal and other more I suppose emerging technologies or technologies which have not yet come to market, as you are probably aware, the government has made investments through the Renewable Energy Fund that Minister Ferguson has, now called the Clean Energy Initiative, which includes a \$1.5 billion investment in solar thermal. The government has also announced obviously the \$650-plus million Renewable Energy Future Fund. It is very important when we are considering the renewable energy target to work out what are the policy objectives we are seeking to achieve through this mechanism and what other policy

issues should be dealt with through other mechanisms. Geothermal has received funding through government programs. I think there is a legitimate case for these technologies seeking funding from government for some of those issues but I think it is important to recognise we are creating a market and that there are cost implications to making changes to the design.

**Senator LUDLAM**—The two graphs on page 14 on long-run marginal cost by technology that you pointed me to before, having not had time to read this little report yet, you have bundled solar/PV in. Obviously solar thermal plants and PV occupy very different niches and have different cost profiles. This is the two graphs on page 14 of the document that you tabled earlier. I wonder if we could tease that out because obviously they are two very different kinds of technologies. What is your expectation of the fraction that might be occupied by large-scale solar thermal plants?

**Mr Raether**—I think the graph to which you are referring on page 14 relates to large-scale solar thermal.

**Senator LUDLAM**—It just says solar/PV, that is all.

**Mr Raether**—Yes. That is an indication that they have a levelised cost or a long-run marginal cost of around \$140 a megawatt hour. In terms of the particular contribution of solar, if you turn back to page 40 of the report, you will see the proportion there is relatively small. Solar is still an emerging technology but it does make a contribution in the period to 2030.

**Senator LUDLAM**—These graphs are all in black and white for me so I will check that out later. Thank you for that. We have been talking about the large-scale plant and just returning now to where Senator Birmingham was before about the proposition of a nationally harmonised feed-in tariff. Is it not the case that the kind of uncapped and fixed price renewable energy target for the small-scale renewables effectively functions as a weak form of feed-in tariff? Why not just do it properly and go the whole way?

**Senator Wong**—It operates in a similar way.

**Senator LUDLAM**—Yes, that is my proposition—it is a weak form of feed-in tariff.

**Senator Wong**—I was making the point though that Senator Milne from your party has put to me on various occasions the need for the RET plus an additional feed-in tariff and I have expressed a view about that but, yes, there is an upfront subsidy through the SRES.

**Ms Thompson**—The advantage of the SRES over something like a feed-in tariff is that it does allow for the support or the subsidy to be given upfront whereas feed-in tariff runs more over the life of the system. As a result of the deeming arrangement, which will remain with the SRES, householders and other installers of small-scale systems can get support upfront.

**Senator LUDLAM**—I suppose my point would be if it was a more robust scheme with a higher price attached to it you could effectively harmonise the way that this hodge-podge patchwork with feed-in tariffs to which Senator Birmingham was referring across the different states and territories—

**Senator Wong**—I do not necessarily agree with the logical sequence there. If it is higher we could harmonise?

**Senator LUDLAM**—Not just if it was higher, if it was a more robust scheme.

**Senator Wong**—More robust?

**Senator LUDLAM**—Effectively what we are looking at is a weak form of national feed-in tariff in that small home scale generators are getting a price for what they are putting into the grid.

**Senator Wong**—Why do you call it weak, Senator?

**Mr Raether**—Sorry, just going on what Ms Thompson was saying, it does differ significantly from a feed-in tariff in the sense that, like the current RET arrangements, it deems support upfront so it is not actually a revenue stream over time related to the amount of electricity exported to the grid. It essentially maintains the existing RET arrangements and just splits it into the large-scale and small-scale components rather than having a feed-in tariff arrangement as the primary support mechanism at the Commonwealth level.

**Senator LUDLAM**—Okay.

**Senator Wong**—Senator, why I demurred with the question is that I do not necessarily accept that an increased feed-in tariff federally would resolve all of the issues that Senator Birmingham was raising about engagements with the states.

**Senator LUDLAM**—Well, the increase is one issue. As I understand, Senator Birmingham has put it, and I know Senator Milne has been having this debate with you for a couple of years now, that you have not suggested that there is no role for a feed-in tariff—in any event the states and territories are rolling them out in bits and pieces—it is just that surely this is a place where the Commonwealth could show some leadership and, as you say, these instruments will complement. If we are looking at all available drivers to push this technology onto the grid—

**Senator Wong**—Show some leadership? Really, we are putting forward legislation which will increase very substantially renewable energy in this country. We have actually already put that through by a four-fold increase. I think that is a pretty good amount of leadership frankly. We have sought to put a carbon price in Australia for the first time. We were unsuccessful in doing that, in part because your party chose not to support it. I do not want to get into that argument but that is the case.

**Senator LUDLAM**—I was wondering when the first mention of that would be. So we made it until quarter past 11.

**Senator Wong**—Frankly if you come in here and lecture me about leadership I do not see why—

**Senator LUDLAM**—I was not lecturing, it was a question.

**Senator Wong**—No, you were. If you come in—

**Senator LUDLAM**—About why not have a nationally harmonised feed-in tariff scheme.

**Senator Wong**—Can I finish? You made a comment about leadership. If you are going to make a political comment like that you should expect a response because I do not accept that we have not shown leadership. I think really the parliament should have shown some leadership but that is a different discussion. On the issue of feed-in tariff, I have put my views on that. We believe the renewable energy target is a more sensible way to proceed. Mr

Raether and Ms Thompson have gone through with you how the SRES operates. I do not agree with your assertion that a higher feed-in tariff would make it easier to harmonise with the states because the issues that were traversed with Senator Birmingham are not resolved automatically simply by putting the feed-in tariff up. Finally, this proposition: it is I think important to remember we are talking about a policy which does increase slightly electricity costs in order to bring forward investment. The cost of that is something the government is going to be aware of. We are not going to simply load up additional aspects on the renewable energy target without recognition of those costs. A higher feed-in tariff obviously would impose higher costs.

**Senator LUDLAM**—I know you cannot speak for COAG but do you get the sense that we will eventually, even if there is not a Commonwealth scheme for a feed-in tariff or Commonwealth legislation, end up with at least congruent schemes or consistent schemes across the state and territories? I am not talking about the price or where the settings are but do you at least agree that there would be an advantage for people trying to provide this technology for the system across the country to be harmonised?

**Senator Wong**—This goes to the discussion at COAG on the principles on the feed-in tariff issue that I was raising with Senator Birmingham. I might ask the Secretary to respond.

**Dr Parkinson**—I think the important thing which you have touched on is that a hodge-podge of different schemes imposes some costs. Would there be advantages in having a common set of principles? Yes. And that is what COAG has already agreed. I think it is a mistake to take that though and then assume that that is an argument in favour of feed-in tariff. It is not; it is an issue of how do you minimise the costs that are being imposed on the economy by the current mix of policies. Going back to the issue of a RET versus a FIT, these are substitutes, in my mind, not complements. It would be better, frankly, to have renewable energy targets sitting there complementing a carbon price rather than talking in terms of an RET and a FIT.

**Senator LUDLAM**—Are you saying that you think it would be preferable rather than harmonising the schemes if the states and territories simply withdrew their feed-in tariffs once we get a renewable energy target right?

**Dr Parkinson**—We have a renewable energy target.

**Senator LUDLAM**—We have what?

**Dr Parkinson**—We have a renewable energy target. Given that the states and territories actually do have feed-in tariffs then the way to minimise the cost imposed on the economy is to actually get them to be, as you have put it, congruent and that is what the COAG principles were intended to do.

**Senator LUDLAM**—I certainly do not want to verbal you; are you suggesting, though, that you think the policy environment would be simpler and more efficient if the states and territories withdrew feed-in tariff schemes?

**Dr Parkinson**—The government's position is that congruence is the better approach.

**Senator LUDLAM**—Than abolishing the schemes entirely?

**Dr Parkinson**—The government's position—

**Senator LUDLAM**—I am trying to work out whether you are acknowledging a legitimate role for feed-in tariffs or not?

**Senator Wong**—The government's position on feed-in tariffs for the states, and obviously that is a matter for them, has been congruence so there is consistency. You probably have not had an opportunity but, as you would see from the modelling where they do a bit of a stock take I suppose of existing policies, they are pretty variable. As I have said previously, from the Commonwealth's perspective, we see the two policies at a Commonwealth level as alternatives, and this is why we have not agreed to a national feed-in tariff. People often speak to me about, for example, I think it is Germany and I make the point Germany has a FIT not a RET and we have a RET not a FIT. Generally in terms of international experience they are alternatives.

We also need to beware of just layering additional costs and compliance and administrative complexities into a system when we are already looking at such a big increase in renewable energy. Some of what was put by the Greens we have sought to pick up in this SRES. I think it is important to recognise, and I do not think you were here for it Senator because you probably were in another hearing, that there are two policy objectives being sought here: firstly, how do we bring forward investment in large scale generation so we achieve a faster transformation of Australia's energy sector; and secondly, how do we help subsidise households who want to do their bit? By having an uncapped SRES we are getting the benefit of assisting households who do want to make a contribution and want to put these technologies on their roofs but without the uncertainty that that has at least perceived to have implied for the large scale sector. That is the logic of what we are doing.

**Senator LUDLAM**—Yes, these are the arguments that Senator Milne was putting when we were first debating the renewable energy target quite some time ago. I have got no argument with that and I am pleased to hear you acknowledge that you have picked up some of those ideas. It is probably going to sound a bit pedantic but I am still not clear about whether you are tolerating the existence of feed-in tariffs and seeking to harmonise them because they are part of the policy landscape or whether you think we would be better off without them?

**Senator Wong**—I cannot add to the answer. The policy position is congruence and ultimately feed-in tariffs are set by the states.

**Senator LUDLAM**—I will leave it there. I think we have pursued that as far as we can.

**Senator ABETZ**—Can I ask whether the estimated costs to all households of \$4 which was modelled—

**Senator Wong**—It is \$2.

**Senator ABETZ**—Two dollars? Has there previously been a department of climate change estimate that these changes, that is, the splitting into the SRES and LRET schemes would increase the cost of electricity for the average household by less than \$4 a year?

**Senator Wong**—Yes, I think I may have said something like that when I first announced the changes. What I said also was that we would undertake some detailed modelling and that has been done.

**Senator ABETZ**—Is that the document that was tabled?

**Senator Wong**—And is on the web.

**Senator ABETZ**—Because that will forestall the other questions that I had. Is that the document entitled *Impacts of changes to the design of the expanded renewable energy target*?

**Senator Wong**—Correct, and it is available on the department's website as well.

**Senator ABETZ**—Thank you for that. That does truncate my questioning.

**Senator Wong**—We did go through it in length with Senator Boswell.

**CHAIR**—Are there any further questions on the renewable energy target? If not, we are still in Program 1.

**Senator Wong**—Sorry, could I just interrupt for a second? Can I just be clear again about the order?

**CHAIR**—Yes. We will finish this 1.1, and then we will go back to general questions of the department.

**Senator Wong**—Except there are other parts of 1.1. I have officers in the other room, and I just want to be clear with them. So, we have questions on the RET, or on renewable energy and then general questions of the department, and then back to 1.1 to deal with the other?

**CHAIR**—What are your questions about, Senator Birmingham?

**Senator BIRMINGHAM**—No, we are staying in 1.1, and I have some questions surrounding the ETS CPRS decisions.

**Senator Wong**—Are there any questions of my officers who are dealing with the renewable energy target? I will change staff if we are finished with the RET.

**CHAIR**—That is my understanding; we are finished with it. Thank you, gentlemen and Ms Thompson.

**Senator BIRMINGHAM**—Dr Parkinson, do you receive the *Sydney Morning Herald*?

**Dr Parkinson**—Do I receive it?

**Senator BIRMINGHAM**—Yes?

**Dr Parkinson**—No, I do not.

**Senator BIRMINGHAM**—Do you receive press clips?

**Dr Parkinson**—Yes, I do.

**Senator Wong**—Why not just tell him what is in it?

**Dr Parkinson**—I can assure you if it is about today's paper, I have not seen anything or read a thing.

**Senator BIRMINGHAM**—I am sure we are both on a similar level there when it comes to today's newspapers. On the morning of 27 April, which of course was the day the Prime Minister announced the deferral of the CPRS, did you see the front page story in the *Sydney Morning Herald* headlined 'ETS off the agenda until late next term' by Lenore Taylor?

**Dr Parkinson**—Yes, I did.

**Senator BIRMINGHAM**—Did that story come as news to you? Were you surprised by its contents?

**Senator Wong**—If you ask the question in a different way, but what you are asking now is Dr Parkinson's reaction to a particular story in the media. If you have a process question, ask the process question.

**Senator BIRMINGHAM**—Were you aware of the government's intention to defer the ETS when you read that newspaper story on the morning of 27 April?

**Dr Parkinson**—The department and the government discussed issues around the CPRS a number of times right through 2008, 2009 and through this year. I do not think it is appropriate for me to go into the substance of what the department and the minister or the department and the government more broadly may have been discussing.

**Senator BIRMINGHAM**—Later that day, we all know—and it is a matter of the public record—that the Prime Minister announced the government would be deferring its intentions surrounding the ETS. That was obviously a decision taken by government. Did you learn of that decision from the Prime Minister's announcement or, as the secretary of the department of climate change, had you been made aware of that decision previously?

**Senator Wong**—These are process questions. Shall I pre-empt them by saying very clearly that I am the minister in this portfolio, and I was part of that decision.

**Senator BIRMINGHAM**—I was going to come to that part of the process as well, Minister.

**Senator Wong**—Obviously Dr Parkinson is my secretary.

**Senator BIRMINGHAM**—Thank you. They are all matters of fact.

**Senator Wong**—Correct.

**Senator BIRMINGHAM**—The matter of fact that I am attempting to ascertain is when Dr Parkinson learned of the decision to defer the ETS.

**Dr Parkinson**—As the minister said, the minister was part of the decision making process. We provide advice to the minister. We provide advice to members of the cabinet, and I do not think it is appropriate for me to say anymore about either when I knew something or what advice that I may have given to either the minister or any other member of the government.

**Senator BIRMINGHAM**—Unusually for me, I have not strayed close to the advice you might have given to the government yet. I am attempting to approach this in a relatively methodical way. These types of process questions are not unusual to Senate estimates hearings. They are quite commonplace and have been for quite a long time. Ascertaining the involvement and knowledge and understanding of departments in decision-making processes is quite a common occurrence at these Senate estimates hearings. Can I ask again: Dr Parkinson, when were you advised of the decision taken by the government to defer its ETS?

**Senator Wong**—That is a process question that goes to cabinet deliberations. I have made clear to you that the minister in this portfolio, namely me, was involved in the decision that was announced. I do not think it is fair to put Dr Parkinson in a position of essentially asking him a range of process questions associated with cabinet deliberations.



**Senator BIRMINGHAM**—Minister, these process questions are often asked at these hearings. You have asked them previously, I am quite confident.

**Senator Wong**—I often got a lot worse answer than the one you just got, Senator.

**Senator BIRMINGHAM**—Many other senators have asked about details of when cabinet submissions are put to cabinet, when decisions are made—

**Senator Wong**—You have not asked that.

**Senator BIRMINGHAM**—When they are communicated back to the department; all of those processes are quite commonplace.

**Senator Wong**—That is not what you have asked.

**Senator BIRMINGHAM**—I have asked when a decision was communicated to Dr Parkinson. If you would like, I will go back earlier in the process and we will come back to when Dr Parkinson—

**Senator Wong**—The minister was part of the decision.

**Senator BIRMINGHAM**—I would hope you were, Minister; that much is a relief to us.

**Senator Wong**—The portfolio was involved in the decision-making process.

**Senator BIRMINGHAM**—Minister, when was the decision taken?

**Senator Wong**—Shortly before the announcement.

**Senator BIRMINGHAM**—When was the decision taken?

**Senator Wong**—I am not going to go into any more details associated with cabinet processes.

**Senator BIRMINGHAM**—Was it a decision of the full cabinet?

**Senator Wong**—I am not going to go into any more details associated with cabinet processes.

**Senator ABETZ**—Operation Sunlight!

**Senator BIRMINGHAM**—Minister, we are not asking for cabinet deliberation discussions; we are actually just asking for the decision making process of this government surrounding a very significant policy issue. I can throw out all of the usual lines that are thrown out around this policy issue, but I do not want to waste the committee's time. I just want to get to the nub of the facts on this, and the facts behind the decision leading up to the Prime Minister's announcement on Tuesday 27 April this year to defer the ETS. Was it a cabinet decision?

**Senator Wong**—Yes, it was a cabinet decision, and I have said the decision was made shortly before announcement, and that is as far as I propose to go in relation to cabinet processes and deliberations.

**Senator BIRMINGHAM**—When you say it was a cabinet decision, does that mean it was a decision of the full cabinet or a cabinet subcommittee?

**Senator Wong**—I have told you I am not going to go into any more details regarding the cabinet process and deliberations.

**Senator BIRMINGHAM**—Would you like to share with us why you refuse to reveal whether this was even a decision of the full cabinet or taken at a cabinet subcommittee?

**Senator Wong**—Because, as I have said, I am not going to go into any further details of cabinet deliberations.

**Senator BIRMINGHAM**—That is telling us what it is you are not going to do rather than telling us why it is you are refusing to cooperate with this Senate estimates hearing on actually looking at the decision making processes of the government. It is a very reasonable thing for the estimates committee to be looking at the decision making processes of government. I would have thought that knowing when a decision was taken and by whom it was taken were fairly fundamental points.

**Senator Wong**—I have said I was part of the decision. The decision was made shortly prior to announcement. It was a cabinet decision, and I am not going to go any further into cabinet deliberations.

**Senator BIRMINGHAM**—They are hardly clear answers, Minister. Saying ‘shortly before’ and ‘a cabinet decision’ but not telling us whether it was cabinet or a cabinet subcommittee or a kitchen cabinet that made the decision is far from satisfactory in terms of transparency and accountability to this estimates committee. So we do not know when the decision was taken, we do not know by whom it was taken, and we do not know when the department was actually informed.

**Senator Wong**—You know that it was taken shortly prior to announcement; you know that this portfolio through me was involved in the decision, and I think you can make various inferences from that about when Dr Parkinson was aware; you know it was a cabinet decision; and you also know that it is not my practice to engage in any detail of cabinet deliberations. You can get as huffy as you want; those are my answers.

**Senator BIRMINGHAM**—Those answers are quite unsatisfactory.

**Senator Wong**—Well, to you.

**Senator BIRMINGHAM**—And they are treating this estimates hearing with contempt in terms of reasonable examination of government decision making processes.

**Senator Wong**—Now you are just being dramatic. They are not treating them with contempt. In fact, the answers I have just given you were substantially more than Senator Abetz and Senator Minchin would often give me in estimates hearings.

**Senator ABETZ**—Nonsense.

**Senator Wong**—Absolutely.

**Senator ABETZ**—Absolute nonsense.

**Senator Wong**—As I said, you can do an academy award performance if you wish to work yourself up to that, but we are not going to move very far on this topic.

**Senator BIRMINGHAM**—You say the department or the portfolio, through you, was involved in the decision making process. Did the department provide advice to cabinet on this matter and on the decision that was taken?

**Dr Parkinson**—The department provided advice to the minister and to ministers on a range of issues around the decisions that cabinet subsequently took.

**Senator BIRMINGHAM**—Was the department asked to provide that advice?

**Dr Parkinson**—Departments do not get to lodge advice in front of cabinet without there being a formal process. The fact that the department provided the minister with advice and members of cabinet with advice by itself says that we were asked for advice.

**Senator BIRMINGHAM**—By whom were you asked?

**Dr Parkinson**—By the minister and by members of the cabinet.

**Senator BIRMINGHAM**—When were you asked to provide this advice or input?

**Dr Parkinson**—I would have to take that on notice. We were asked a number of times over a period for pieces of advice, so I would have to take on notice when we were asked for advice at various times.

**Senator BIRMINGHAM**—Did the department undertake modelling or research about different implementation times for an ETS?

**Dr Parkinson**—Sorry, I do not understand the question.

**Senator BIRMINGHAM**—We have a deferral of the ETS; it is to be implemented not before 2013. Did the department undertake modelling as to different implementation scenarios for an ETS and the impact of that (a) on the economy and (b) in terms of achieving the government's stated climate change objectives or emissions reduction objectives?

**Senator Wong**—Modelling is often a word that people throw around when they mean various things. So I would ask: what do you actually mean by that? When we talk about modelling, in general the government is referring to economic modelling or—I am sure Mr Comley might tell me that I get my economic terms mixed up—modelling that Treasury or MMA or some external modelling entity engages in.

**Senator BIRMINGHAM**—Specifically, did the—

**Senator Wong**—For example, for *Australia's low pollution future*, the largest modelling exercise—

**Senator BIRMINGHAM**—Specifically, did the department model whether the government's—

**Senator Wong**—That is where I want to be clear. We have used that as distinct from internal assessments and advice the department might make. To be fair to the witnesses, I just want to be clear with you: when you say 'modelling', that is what we understand.

**Senator BIRMINGHAM**—Specifically, either internally or through external consultants, did the department look at the capacity of the government to meet its short-term emissions reduction targets under different implementation date scenarios for an ETS?

**Dr Parkinson**—That was done as part of the modelling that was released by the Treasury. What I would remind you is that Minister Wong has been very clear since the announcement of the deferral decision in saying that a carbon price is critical to meeting the bipartisan targets that have been set for Australia's emissions reductions. I made this very same point

only yesterday in a speech to the Property Council of Australia: if you are asking the question, 'Can Australia meet even its five per cent target without the introduction of a carbon price?' the answer is no. The minister has made that point very, very clearly a number of times since the decision to defer the CPRS was announced.

**Senator BIRMINGHAM**—I will come back to some of those statements a little later, Dr Parkinson. By whom were you informed of the decision to defer the ETS?

**Senator Wong**—I have told you that the minister—that's me—and the portfolio were involved in the decision.

**Senator BIRMINGHAM**—Yes, you have told us that. I would like to know who actually told Dr Parkinson.

**Senator ABETZ**—Presuming he was not sitting in on the cabinet meeting.

**Senator BIRMINGHAM**—Yes, assuming it was not listening to radio broadcasts.

**Senator Wong**—I do not think I can assist any further. I have said a number of times: I was part of the decision, and Dr Parkinson is my secretary.

**Senator BIRMINGHAM**—I was not actually asking you to assist, Minister; I was asking Dr Parkinson to assist. I would have thought Dr Parkinson could fairly easily recall whether he was present when the decision to defer the ETS was taken or whether he received a phone call from you, Minister, telling him that decision had been taken, or whether he heard it on the radio.

**Senator Wong**—The first part of your question goes to cabinet deliberations. That is why my answer remains as it was.

**Senator BIRMINGHAM**—If Dr Parkinson was present is hardly a great matter of cabinet confidentiality for this discussion I would have thought, Minister. However, Dr Parkinson is welcome to plead cabinet confidentiality himself if he wishes. But, of course, if he was not there, there is hardly cabinet confidentiality.

**Senator ABETZ**—He cannot tell us because he was in cabinet, is that why?

**Senator Wong**—Dr Parkinson was aware of the decision before it was announced, if that is what you are asking.

**Senator ABETZ**—Well, that is a start.

**Senator BIRMINGHAM**—That is some progress, thank you. Might we get to the point where we can know when the decision was taken and when Dr Parkinson was made aware?

**Senator Wong**—I have answered that question.

**Senator BIRMINGHAM**—How long before the announcement was made was Dr Parkinson aware?

**Senator Wong**—I have answered the question.

**Senator BIRMINGHAM**—No, you have not.

**Senator Wong**—This is just a different way of asking the same question about when the decision was made, and I have given my answer to that. You do not like it; I understand that. I

again say it is certainly more than many Howard government ministers gave these estimates hearings. I am not going to be adding to it.

**Senator BIRMINGHAM**—Was it minutes, hours, days, weeks? In terms of when Dr Parkinson was made aware of the decision to defer, you tell us he was made aware of it before the announcement was made. Was he made aware of it minutes before, hours before, days before or weeks before? If you are not going to tell me exactly when, it would be useful to know whether it was just before the Prime Minister rolled up to the press conference where he announced it or whether it was actually sometime just after the decision was actually taken.

**Senator Wong**—These are questions which really go to the same question. You want to know a whole range of details about cabinet deliberations, and I have given you my answer on that. I am not proposing to add to it.

**Senator BIRMINGHAM**—I do not want to know any details about your cabinet deliberations. I want to know the process the government applied. There is a vast difference between the two things. It is perfectly reasonable to pursue the process issues, and I do not understand why you insist on blocking every step of it. You have given an inch by saying Dr Parkinson was aware beforehand, but was ‘aware beforehand’ in a carefully constructed form of words that could mean he was called the moment the Prime Minister walked out to make his statement? That is hardly of course really being informed beforehand; that is ticking a courtesy box instead. Was Dr Parkinson aware immediately after the decision was taken?

**Senator Wong**—Senator, you can wind yourself up if you want. I have actually given, as I said, substantially more information than ministers in your government gave. I have told you that I was part of the decision. I have told you that the decision was made shortly before announcement. I have told you that Dr Parkinson was aware of the decision before it was announced. I am not proposing to go into any more detail. You can ask whatever questions you wish trying to get me to give you a whole range of different details around cabinet deliberations, but my answer remains the same.

**Senator BIRMINGHAM**—A few minutes ago you said your answer remains the same, and you finally revealed to us that Dr Parkinson was informed beforehand, so persistence paid off a little bit then.

**Senator ABETZ**—It did.

**Senator BIRMINGHAM**—Of course, it only paid off in a very incremental way because ‘beforehand’, as I said, is a term with a very wide meaning. Can you give us some indication of how far beforehand?

**Senator Wong**—Sorry, what was the question?

**Senator BIRMINGHAM**—The question, Minister, was: how long before the decision was announced was Dr Parkinson informed of the decision?

**Senator Wong**—That is the same question.

**Senator BIRMINGHAM**—It is a perfectly reasonable question.

**Senator Wong**—And it is a perfectly reasonable answer.

**Senator BIRMINGHAM**—It is not a perfectly reasonable answer for these committees.

**Senator Wong**—In your opinion, Senator. We can do this for a long time if you wish.

**Senator BIRMINGHAM**—Chair, honestly, the refusal to actually address the questions being put—reasonable questions about process, put many times before in these committees—is quite unreasonable by the minister. This is not some new precedent that we are trying to create here today. These questions and these types of questions have long been asked, about when matters were considered by cabinet, when agencies provided advice to cabinet, and when cabinet or ministers informed agencies of decisions. It is nothing new. I do not understand why the minister is refusing to answer. I urge you to find some means to encourage the minister to actually help the committee progress its deliberations.

**CHAIR**—I understand that you have not raised a point of order, is that right? You are just asking me to comment on your comment?

**Senator FISHER**—He is just asking you a question.

**Senator BIRMINGHAM**—Chair, I am asking you to help the committee actually—

**CHAIR**—I note what you are saying, Senator; I understand you are not happy with the minister's answers, but I guess in the words of the president, 'You can continue to ask these questions, but I cannot direct the minister how to answer.' However, I would ask the minister to continue to discuss with you the issues that you are raising. I cannot instruct the minister how to answer the questions to satisfy you, Senator.

**Senator Wong**—There was something I answered which actually you seem to have ignored. I said I am the minister, and I was involved in the decision.

**Senator ABETZ**—And?

**Senator Wong**—The portfolio was involved in the decision.

**Senator ABETZ**—We do not know that.

**Senator Wong**—I have just told you that. I told you that—

**Senator ABETZ**—Now we do.

**Senator Wong**—No, actually I said that probably half an hour ago.

**Senator BIRMINGHAM**—Yes, that is fine, Minister, and we know that you were involved in the decision.

**Senator Wong**—You are asking a range of questions which seem to have ignored that answer.

**Senator BIRMINGHAM**—No. In fact, some of the questions—such as, 'Were you the person to inform Dr Parkinson?'—were based on the fact that you were involved in the decision.

**Senator Wong**—The portfolio was involved in the decision.

**Senator BIRMINGHAM**—I am trying to ascertain, then, how far into the portfolio that involvement stretched. We know you were involved. Just how much Dr Parkinson was is a question I would like to get to the bottom of in terms of the skills and expertise and involvement of the portfolio in the decision. Is there a particular ground of public interest

immunity that you are citing as to why you cannot tell us when the decision of cabinet was taken?

**Senator Wong**—I have told you it was made shortly before announcement. That formulation was used on many occasions by your side of politics.

**Senator BIRMINGHAM**—The cabinet decision was made shortly before announcement?

**Senator Wong**—The decision was made shortly before announcement.

**Senator BIRMINGHAM**—You had not told us that before. You told us Dr Parkinson was informed shortly before the announcement.

**Senator Wong**—No, I have actually said that on a number of occasions. I am sorry if you were not taking notes.

**Senator BIRMINGHAM**—No, it was quite clear that you told us ‘shortly before the announcement’ with regards to Dr Parkinson. The cabinet decision was also shortly before the announcement. Chair, can I ask the secretary to at least seek the clerk’s advice in terms of the reasonableness of the questions I am asking about the dates of cabinet meetings, about the information—

**Senator Wong**—You have not asked that question, Senator.

**Senator BIRMINGHAM**—I asked when the decision was taken by cabinet or the cabinet subcommittee.

**Senator Wong**—Yes, you are asking the dates—you have asked Dr Parkinson, and he has taken on notice the dates on which he was asked for advice.

**Senator BIRMINGHAM**—Yes.

**Senator Wong**—We have not refused to answer that. We have taken that on notice.

**Senator ABETZ**—When was the last cabinet meeting closest to the time of the announcement that we are talking about?

**Senator Wong**—I would have to take that on notice.

**Senator BIRMINGHAM**—When was the cabinet meeting at which the decision was taken?

**Senator Wong**—I have said to you the decision was made shortly before announcement. I am not going to add to that answer.

**Senator BIRMINGHAM**—So you will not tell us when the cabinet meeting was at which the decision was taken?

**Senator Wong**—I have said, ‘shortly before announcement’.

**Senator BIRMINGHAM**—Yes. You will not tell us on which day it occurred?

**Senator Wong**—What I have said to you is exactly this—that I was part of the decision, that the decision was made shortly prior to announcement and that I do not propose to add any further to that answer and to go any further into cabinet deliberations.

**Senator ABETZ**—Was there a cabinet meeting on the day that the announcement was made?

**Senator Wong**—I would have to take that on notice.

**Senator ABETZ**—You cannot recall, being so personally involved in the decision, whether there was a cabinet meeting on the day? You are a member of cabinet.

**Senator Wong**—I am a member of cabinet. I think some of these questions are actually going to what was discussed in cabinet, so timing questions can go to content as well. I am going to take that question on notice.

**Senator ABETZ**—Was there a cabinet meeting on the day before the announcement was made? You could do better than this, Gav.

**Senator MARSHALL**—This is like a blast from the past. We have Senator Troeth, you as a former minister, me and Senator Wong. It is like role reversal from a few years ago.

**Senator BIRMINGHAM**—So much for all your claims of greater transparency or accountability then, Senator Marshall.

**Senator ABETZ**—The easier thing was that I was never a member of cabinet, so I could honestly claim no knowledge about cabinet deliberations, unlike somebody sitting at the table here.

**Senator Wong**—As I said, I will take that question on notice because you are asking me to release—I assume the question afterwards will be: ‘What was the date before that, and what was the date before that?’

**Senator ABETZ**—Do not assume anything. Deal with each question as it comes.

**Senator Wong**—No, Senator. I think we know where you want to try and take this. What you are essentially asking me to do is to disclose timing, dates and potentially locations of cabinet meetings. They are not generally released. Generally how these process questions are dealt with is by way of the question that we have taken, and that is the dates of advice. Dr Parkinson has taken Senator Birmingham’s question on notice.

**Senator ABETZ**—You cannot refuse to answer a perfectly reasonable question because of what you suspect might be a supplementary or a follow-up question. Every Senate committee is entitled to know when cabinet has met.

**Senator Wong**—And I am taking that on notice.

**Senator ABETZ**—This is hopeless.

**Senator BIRMINGHAM**—Were other agencies asked to provide advice into the decision?

**Dr Parkinson**—You would have to direct that question directly to them. I just do not know.

**Senator Wong**—It would be appropriate for that to be addressed to other agencies.

**Senator BIRMINGHAM**—Did your department receive copies of advice from other agencies about the decision to defer the ETS?

**Senator Wong**—That is just the same set of questions about cabinet deliberations.

**Senator ABETZ**—Was this department the lead agency in this decision?



**Senator Wong**—This department is the lead agency on climate change matters.

**Senator ABETZ**—No, in this decision?

**Senator Wong**—Were you a member of cabinet?

**Senator ABETZ**—I have already said I was not.

**Senator Wong**—Sorry. I genuinely could not—

**Senator ABETZ**—I am asking if it was the lead agency in this decision. Usually there is a lead agency.

**Senator Wong**—I am not sure what you mean by ‘lead agency’ in this context.

**Senator ABETZ**—When you have cross-portfolio deliberations on a particular issue, usually the lead agency is—let us say, in this it would be not surprising if it were either climate change or, indeed, Prime Minister and Cabinet. There is no reason why that should be withheld from us. We are entitled to know which one was the lead agency.

**Senator Wong**—I think the difficulty is because this agency does not make the decision. The government makes the decision.

**Senator ABETZ**—I am not asking about the decision. Who was the lead agency in providing advice?

**Senator Wong**—That is a different question.

**Senator ABETZ**—Governments make decisions.

**Senator Wong**—Yes, well you asked, ‘Was this the lead agency in the decision?’

**Senator ABETZ**—I am not sure that I said that. If I did, I withdraw the words ‘in the decision.’ Who was the lead agency in assisting government to come to its decision?

**Dr Parkinson**—It was the Department of Climate Change and Energy Efficiency.

**Senator ABETZ**—It is very easy, is it not, when you just answer the question that is asked. Thank you very much.

**Senator Wong**—If you ask the right question, it is also easier.

**Senator ABETZ**—Being the lead agency, surely you must have been aware of the other agencies and departments that were involved in coming to this decision?

**Dr Parkinson**—It is the same issue. The other agencies were not involved in coming to the decision in the sense that—sorry, I am not playing games here—the decision was a matter for the cabinet.

**Senator ABETZ**—Of course it was.

**Dr Parkinson**—We of course are aware of the other agencies who were providing advice.

**Senator ABETZ**—That is right. Who were they?

**Dr Parkinson**—That is a matter that goes to the heart of cabinet deliberations, and I think it would be inappropriate—

**Senator ABETZ**—No, it does not, because you have already volunteered that you and your department provided advice. I am not asking what the advice was. Can we assume, for

example, that the Department of Veterans' Affairs was not involved in providing advice on this particular issue?

**Dr Parkinson**—I do not think it is appropriate for me to speculate on what advice the Department of Veterans' Affairs may have provided to any member of cabinet.

**Senator ABETZ**—I am not asking about what advice was proffered.

**Dr Parkinson**—Or whether.

**Senator ABETZ**—Whether advice was proffered we are entitled to know; what the advice was we are not entitled to know. I make that distinction. As the lead agency in coming to this decision by government, surely you must know, if you were the lead agency, which other agencies you were leading,

**Dr Parkinson**—It goes to the same issue. A lead agency is a concept that makes sense in the process of departments providing co-joined advice to government. When departments provide advice to government direct to their ministers, there is no necessary lead agency on that advice.

**Senator ABETZ**—All right. So you are saying now that you were not the lead agency but there were co-joined agencies?

**Dr Parkinson**—No. I am not saying that.

**Senator Wong**—That is not what he is saying. What he is saying is, if you want to know if other agencies or departments provided advice, you will need to ask them.

**Senator ABETZ**—That is ridiculous.

**Senator BIRMINGHAM**—Did the department provide a submission to cabinet on this topic?

**Dr Parkinson**—The department provided documents a number of times to cabinet on issues related to the CPRS.

**Senator BIRMINGHAM**—Did the department provide a submission that was considered? Whatever it recommended I do not want to know, but did the department provide, through the minister, a submission to cabinet that was considered at the cabinet meeting where the decision to defer the ETS was taken?

**Dr Parkinson**—Sorry, could you just repeat the question so I can get it clear?

**Senator BIRMINGHAM**—Yes. I want to be quite clear here. I am not trying to go to what may or may not have been in the submission. I just want to know: did the department, through its minister, provide a submission to cabinet that was considered at the cabinet meeting where the ETS was deferred?

**Senator Wong**—That is asking the content of cabinet deliberations.

**Senator BIRMINGHAM**—No it is not, because cabinet may well have decided the exact opposite of whatever it was.

**Senator ABETZ**—Which we suspect.

**Senator Wong**—It is directly to the content of cabinet deliberations.

**Senator ABETZ**—No, it is not.

**Senator Wong**—We have said we are the portfolio that leads on climate change policy. Dr Parkinson has said the department has provided advice on a number of occasions to cabinet on the CPRS.

**Senator BIRMINGHAM**—Put in simple terms, I want to know whether the department of climate change and the Minister for Climate Change made a submission to the cabinet meeting when the ETS was deferred. That is fairly fundamental, I would have thought.

**Senator Wong**—I go back to what I said. I was involved in the decision that was then announced.

**Senator BIRMINGHAM**—That is all well and good, Minister—

**Senator Wong**—You can infer from that what you like, but I am not going to go into the content of cabinet deliberations.

**Senator BIRMINGHAM**—I am not asking about the content.

**Senator Wong**—Yes, you are. That is the effect of what—

**Senator BIRMINGHAM**—I am asking if there was a submission—

**Senator Wong**—Senator, can I finish? That is the effect of your question.

**Senator BIRMINGHAM**—The reason I am asking if there is a submission is so that I can then ask whether other agencies were given the opportunity to comment on that submission as, I think, would be the normal process.

**Senator ABETZ**—That is right.

**Senator Wong**—If you want to know what other agencies did, you will need to ask them.

**Senator BIRMINGHAM**—No, because the comments of other agencies on a cabinet submission would usually be provided back to the lead agency.

**Senator Wong**—Yes, but we are saying, if you want to know whether other agencies provided advice, you will need to ask them.

**Senator BIRMINGHAM**—I cannot even find out whether your agency provided a submission.

**Senator ABETZ**—That is right.

**Senator Wong**—We have said we provided advice on a number of occasions.

**Senator BIRMINGHAM**—Was that advice in the form of a submission to cabinet?

**Senator Wong**—I think that is pretty clearly asking about what cabinet deliberations are, very clearly.

**Senator ABETZ**—No, because it stands to reason—and I trust that this government from time to time does it—that it does not slavishly follow the advice proffered. So we are not asking whether the department's advice was accepted in full, in part or rejected. All we are asking is whether or not that advice was proffered to cabinet.

**Senator Wong**—And the answer was yes.

**Dr Parkinson**—I am sorry if I did not make this clear before, but I thought what I had said was that over a period of time the department provided a number of documents to the cabinet, provided advice to the cabinet. I do not think I can go any further than that.

**Senator ABETZ**—As the lead agency?

**Dr Parkinson**—I have said that the department provided advice to the cabinet.

**Senator ABETZ**—The next question is: as the lead agency or flying solo?

**Dr Parkinson**—As the lead agency on climate change and energy efficiency issues.

**Senator ABETZ**—Right. Was the consultation between your department and other departments in coming to the formulation of those documents—and I do not need to know what was in them—and other pieces of information that was proffered to government?

**Dr Parkinson**—There was extensive consultation between the department and other departments around—

**Senator ABETZ**—Right; can you tell us—

**Dr Parkinson**—Senator, if I may finish; there was extensive consultation between the department and other departments right through the process of design of the CPRS and subsequently.

**Senator ABETZ**—In relation to the subsequent, after the design of the CPRS, can you tell us which departments were consulted?

**Dr Parkinson**—I think that goes back to what the minister said before. I think it is appropriate to ask other agencies whether they were consulted.

**Senator ABETZ**—But you were the lead agency—

**Senator Wong**—Senator, why do you not just turn up and ask them? That is what I used to do.

**Senator ABETZ**—You agree that you did consult with other departments, so does that mean we have to get—how many departments are there in the government? We have to go to each estimates committee and find out whether each department—

**Senator Wong**—I recall doing that, Senator.

**Senator ABETZ**—Or can you tell us with which departments you consulted?

**Dr Parkinson**—I am trying to be helpful. The standard advice from the cabinet secretariat is that departments take all questions of the form that you are asking on notice. I am trying to be helpful. You are obviously trying to manoeuvre me to a particular position. I have a constraint in that the cabinet secretariat advice is that I should take questions on notice. It is not me in this particular instance; that is standard advice on anything related to the deliberations of cabinet. What I am trying to do is to be helpful without going across that line.

**Senator ABETZ**—Without the cabinet secretariat's roadblock, you would be willing to offer this advice to us.

**Dr Parkinson**—No, Senator.

**Senator ABETZ**—Is that advice from the cabinet secretariat in writing?

**Dr Parkinson**—Senator, this has been standard practice for as long as I have been appearing in Senate estimates hearings, which I can assure you is a very, very long time. The standard practice is that you do not go into issues around cabinet decisions. I know that there is a view that the Senate can ask those questions. As a bureaucrat, I understand that. I am trying to help you, but the standard practice for official witnesses is that we take all such questions on notice. So I can either take them all on notice or we can try to come at the questions in a different way.

**Senator ABETZ**—So, you do know the departments with whom you must have been liaising, so that is within your knowledge, but you are restrained because of the cabinet secretariat directive saying that you have to take it on notice before responding. I just wonder how quickly you can get back to us after taking that question on notice so you can tell us.

**Dr Parkinson**—We would have to consult with the cabinet secretariat. We would move as quickly as we could.

**Senator FISHER**—We are here all day; so are you.

**Senator ABETZ**—There is a lunch break.

**Dr Parkinson**—I am aware that I am here all day and all night.

**Senator BIRMINGHAM**—We will move beyond whatever point shortly before the announcement was made that you were informed, at least for now. However, when did you communicate that information to the rest of your department?

**Senator Wong**—He personally?

**Senator BIRMINGHAM**—When was it communicated, how and by whom, if we would like to get there?

**Dr Parkinson**—Can I take that on notice? I will give you the answer. I know the answer. I am just trying to get the dates right in my own head. I think it would have been 28 April, so the day after the Prime Minister's announcement. I think that would be the day on which I communicated it formally to the department. Can I caveat that? I will check and get back to you.

**Senator BIRMINGHAM**—By what means? Was it by email, staff meeting?

**Dr Parkinson**—I will check this, but my recollection was that I had a meeting with my SES and it was subsequently followed up later with an email to staff later in the week about the issue, just as part of the normal traffic, but I addressed my SES and they then advised their staff. Just allow me to caveat that slightly. I will have to go back and check that.

**Senator BIRMINGHAM**—Certainly. In terms of the details, if you could take those details on notice.

**Dr Parkinson**—I am fairly sure I am right, but I just want to be 100 per cent.

**Senator BIRMINGHAM**—Who communicated what information to—

**Dr Parkinson**—Communication was definitely from me to the staff. The first format was me to the SES, and the SES then to the staff. I think I followed up later in the week with a broadcast email to staff, but I will check that.

**Senator BIRMINGHAM**—Okay. If you could: who, when, what medium—and if it was an email or a written brief that went out to staff, if you could provide a copy of that to the committee as well, that would be appreciated.

**Dr Parkinson**—I send an email to all staff every Friday, a weekly message—

**Senator Wong**—Message from Martin.

**Dr Parkinson**—You receive it as well?

**Senator Wong**—I do. I read it with interest.

**Dr Parkinson**—Thank you.

**Senator Wong**—When Mr Comley was acting secretary, he would include a recipe, which I also read with interest. It disclosed his eating tastes.

**Senator BIRMINGHAM**—Interesting. You can provide the highlights, perhaps, in one of the breaks!

**Senator Wong**—It is one of the more enjoyable parts of my Fridays.

**Senator FISHER**—Apparently he is a vociferous meat eater.

**Senator BIRMINGHAM**—Apparently, Dr Parkinson, you need to liven up yours a little bit, if Mr Comley's were more entertaining to the minister.

**Dr Parkinson**—I am the secretary; Mr Comley is acting secretary. He is the one who needs to differentiate his product!

**Senator BIRMINGHAM**—Fair point. If you could provide copies of the relevant memos, Messages from Martin, whatever they may entail, that would be helpful.

**Dr Parkinson**—I will try to get those for you later today.

**Senator BIRMINGHAM**—Thank you very much. The *Canberra Times* reported on 30 April, a few days after the fact, that the staff, presumably having seen the SMH story on the day of the 27th, were reassured that the CPRS was still proceeding. At least one source is quoted as telling the *Canberra Times* that either management was lying on Tuesday morning or they did not themselves know what was going on. What discussions were had within the department on the Tuesday morning prior to the Prime Minister's announcement?

**Dr Parkinson**—Tuesday morning? Monday was a public holiday; Tuesday morning, I am not sure that I was actually even in the department. I would have to check that. Just as a general comment, there was a series of articles that appeared in the *Canberra Times* that purported to reflect views and developments within the department that actually bore no resemblance to anything I could see occurring in the department either in terms of developments or in terms of feedback that was coming to me from staff. I do not know who the supposed source for that comment was. I do not know what they are referring to. I would note there was a series of articles in the *Canberra Times*. Indeed, it got to the point where I wrote a letter to the editor of the *Canberra Times* and pointed out that there was a series of articles that were riven with factual inaccuracies, and that this was not helping in what was obviously a period where the department had a number of adjustments to go through. *Canberra Times*, for its own reason, chose not to print that letter from me, so I put the letter

on the departmental website. Frankly, without knowing exactly who was talking to the *Canberra Times*, if it was anybody from the department, when and about what, I find that that set of articles were not a reflection of reality that I was perceiving.

**Senator BIRMINGHAM**—I am sure there would have been a fair degree of angst in the department firstly at that Tuesday morning's *Sydney Morning Herald* front page, and then more significantly later in the day at the news of the fact that that front page article was actually true.

**Senator Wong**—I am going to ask Dr Parkinson to answer that, but can I just make a general comment about this department which obviously was established quite recently as a result of the election of the Rudd government. A great many frankly very talented and hard working people worked for a very long time on the CPRS under a lot of pressure because there was a lot of work in a short space of time with both the green paper and the white paper, the legislation and then, of course, the very substantial negotiation process with the opposition. I think it would be true to say that there was a great deal of disappointment that regrettably this legislation did not pass the Senate in December. That is the backdrop to this decision. I do want to record the extraordinary level of professionalism and hard work that this department has displayed through a range of challenges which have not been of their making. Obviously it is very difficult for people to work very hard on a very important piece of legislation that the Senate chooses not to pass.

**Senator ABETZ**—That is all right and correct to a certain extent, but the Prime Minister, in announcing the deferral, did not only refer to the Senate, did he? He also referred to the stalling at Copenhagen, and it would be very wise to defer further consideration until there was that further consideration on the international stage. Just to correct the record there, the government, in its publicly announced reasoning for withdrawing the legislation, did not only refer to it not getting through the Senate but the changed circumstances on the world stage after Copenhagen.

**Senator Wong**—Is that a comment or a question? I do not think you have accurately—

**Senator ABETZ**—You just provided without interruption a commentary which was not responsive to Senator Birmingham's question.

**Senator Wong**—It went to the morale of the department.

**Senator ABETZ**—And the morale of the staff—their professionalism, all that—is not in dispute, but to try to say that the only reason the government has deferred the legislation was the vote in the Senate does not fit in with the Prime Minister's announcement on the day which also referred to the international factors. I am just trying to correct the record because I am sure you would not wish to unwittingly mislead this committee.

**Senator Wong**—There was no misleading. The question—

**Senator ABETZ**—Unwittingly by not giving us all the information.

**Senator Wong**—Can I finish? There was no misleading. You have not accurately quoted the Prime Minister, but I have said that one of the issues the government has taken into account is that, regrettably, international movement has been slower than we hoped. But that was not what I was responding to. There was a question about staff morale. I was indicating I

think some of the backdrop to that and the challenges, and then, as I said at the outset of my answer, I was going to—

**Senator ABETZ**—It was not an answer.

**Senator Wong**—I am sorry?

**Senator ABETZ**—It was not an answer. Senator Birmingham had not even finished his question when you—

**Senator Wong**—Yes, he had actually.

**Senator ABETZ**—No, when you interrupted him to give us this monologue.

**Senator Wong**—I do not think that is true. I am sorry; if it was the case, I apologise. I thought he had finished his question. Before Dr Parkinson answered, I said I wanted to just give some background, and then I was going to throw to Dr Parkinson to answer specifically on the morale question as a result of the article that Senator Birmingham asked about.

**Senator BIRMINGHAM**—Dr Parkinson, you know where I was going?

**Dr Parkinson**—Senator Abetz, I noted that you made the comment that there was no question about the professionalism of the department. If that was a heartfelt comment, I gratefully appreciate that, and indeed, were that to be the view of the opposition more broadly and was articulated, I think that would be a very strong positive signal to the staff in the department. I appreciate the comments that you made.

Returning to Senator Birmingham's question, it is not in dispute that there were people who were very disappointed at the decision. There was a group of people that had worked very, very hard with me from December 2006 to design the emissions trading scheme, to prepare for Prime Minister Howard the report of the task group on emissions trading that worked through with Prime Minister Howard the decision to adopt emissions trading, worked to develop the policy that the previous government took to the last election, worked with the new government to turn their commitment to an emissions trading scheme into the CPRS, and who—there is no point gilding the lily—were terribly, terribly disappointed about how close the Senate came to passing the bill in December.

It is then entirely natural that those people were again very disappointed, as is entirely understandable, with the decision that the Prime Minister announced. Some of them, as I said, had worked with me on the design; others had come in to work with Mr Leeper to establish the Australian Climate Change Regulatory Authority. We were well on the way to having a regulator that could be stood up as an independent portfolio agency. So, for many people, they could see that their hard work and the commitment and professionalism they had shown was not going to have a pay-off at the moment.

The message to them, though, from me was very much that it is inevitable there will be a carbon price in Australia. It is either the case that we introduce a carbon price or either or both parties walk away from their commitment to the targets. We cannot achieve the targets that have been committed to without a carbon price. Any serious action to attempt to achieve these things without the use of a least cost market based instrument is effectively a conscious decision to constrain Australia's productivity and Australia's future wealth. Notwithstanding the criticism that is occasionally made of me, I am an apolitical public servant. I will go out



and I will continue to make that point as I have made similar sorts of points throughout my career. I will continue to make those points, irrespective of who is in government. It is a matter for government to decide what policies they want to pursue. It is a matter for senior public servants to advise government and, in my view, on some of these issues, to advise the public of the consequences of policy or the implications. I cannot get around that.

Going back to the issue of staff morale, one of the things that we have done has been to ensure that the work that has been undertaken is not lost. We are essentially trying to create a set of time capsules so that, whenever this current impasse is broken and we can have an appropriate debate in this country around climate change, the work of dedicated people can be used as the foundation to go forward. This is not the first time it has happened on this issue. As you know, in 1998-99, Senator Robert Hill tasked the Australian Greenhouse Office to begin to prepare an emissions trading scheme. In 2003, Treasurer Costello took to cabinet a proposal for an emissions trading scheme. I think what is incredibly disappointing this time is that Prime Minister Howard had realised the inability to maintain the existing policy mix and the urgency of acting on climate change, and we are now in a situation where at the earliest we will be able to introduce a carbon price in 2013 or 2014. That will mean that from 1998-99 to 2013-14 we will have gone around and around and around the mulberry bush on this particular issue. That is a very long-winded answer to your question, and I hope in a sense you can discern from that my feelings about the issue. Governments are elected to make these decisions, and, for the reasons the Prime Minister announced, the government took that decision. I respect that, and my colleagues and I will work professionally to deliver on what is expected of us.

**Senator BIRMINGHAM**—Thank you, Dr Parkinson. There were probably three aspects to your answer then. One was relating to the policy and your views and so on, and you have touched on that previously this morning and, as I said, we might come back to that a little later. Another was in responding to Senator Abetz about departmental professionalism. Can I say this has of course, as you have rightly noted, been a very politically charged issue over some period of time, and especially in the period of time towards the end of last year. In such politically charged debates, departments and public servants often get swept along as part of that debate. That should never be seen to be a reflection on the individual public servants or the good work that I am sure they were doing or their integrity or professionalism.

**Senator Wong**—You were not one of those making comments, but I think calling for people to be sacked is probably going to make people feel a little bit like they are being targeted personally. I reckon I would make a pretty good stab at saying that that is how people might respond.

**Senator BIRMINGHAM**—Thank you, Minister. Dr Parkinson and I are trying to have a reasonable exchange here, and I did not want to turn it into a political slanging match. There will be enough of that during the course of the day as well, I am sure, in one way, shape or form, as we dig through the issues. But whatever is progressed on the issues, I think the individual professionalism of people is something that is recognised broadly, and I trust will continue to be recognised.

**Senator Wong**—We appreciate that, Senator. As I prefaced my answer, I do not count you in this because you were not one of those on your side making these comments. It is a little difficult to hear with, you know—

**Senator ABETZ**—Look, you guys have had your mark on—

**Senator Wong**—It is a little bit difficult to listen to exhortations of praise when members of the opposition were calling for people to be sacked.

**Senator BIRMINGHAM**—Thank you, Minister. Obviously I am not aware of calls about specific individuals or specific roles. I acknowledge that discussions will be had as they are in the lead-up to this election about the size and construct of the Public Service. However, that should never be taken to reflect again on the individual professionalism of people within the Public Service.

**Senator Wong**—If you really hold that view, Senator, I suggest you should go and talk to some of your colleagues about things they say publicly.

**Senator BIRMINGHAM**—If we can move back to what was, I think, the third aspect of Dr Parkinson's answer, which was the specific one related to the question, that was around the announcement and morale and the like. Are you aware on the morning of the announcement of staff being reassured by any of your senior managers that the implementation timetable for the CPRS was continuing as expected?

**Dr Parkinson**—The information about the decision had been kept very, very tight, and Mr Leeper had a conversation with some of his staff on the morning that the Lenore Taylor piece came out. I do not know if Mr Leeper might like to explain those circumstances.

**Mr Leeper**—The stance I have taken in relation to the implementation of the scheme, including in front of this committee in February, has consistently been that it is our job to continue implementation reflecting the policy stance of the government. On 27 April, I saw the Lenore Taylor article, and certainly one or two of my staff were asking, 'What does this mean?' I called my senior management team together and said to them that I was not aware of any decisions that altered the government's policy stance, so my message to staff at that point was, 'I have no grounds on which to do anything else except continue the implementation at the speed and pace that we have set out.' There was some communication with senior managers in the climate regulator group on the morning of 27 April, and that was at my instigation.

**Senator BIRMINGHAM**—I accept, Mr Leeper, that you were acting, as you say, in faith of the information that you knew at the time?

**Mr Leeper**—That is correct.

**Senator BIRMINGHAM**—And conveying that to your staff is perfectly reasonable. Your area—I recognise responsibilities have changed, but regarding the department as it was structured at that stage—included the Australian Climate Change Regulatory Authority?

**Mr Leeper**—The group that would constitute the authority—yes.

**Senator BIRMINGHAM**—The group that would constitute the authority which was to be the group that was to implement the ETS?

**Mr Leeper**—That is correct.

**Senator BIRMINGHAM**—So they would have obviously had a very strong concern and vested interest in it, and I imagine are still concerned as they are redeployed in whatever else is occurring at present with some of them?

**Mr Leeper**—Yes, we are going through processes. I am happy to talk about that at the appropriate time.

**Senator BIRMINGHAM**—You were informed of the accuracy of the decision by the departmental secretary when he provided his briefing, or through hearing the Prime Minister on the media?

**Mr Leeper**—I did not hear the Prime Minister on the media. I was doing other things at the time. I do not even know at what stage that occurred in the afternoon. I certainly was not informed via that medium. I would need to check as to when I was informed precisely. On the Wednesday morning, 28 April, we ran a staff session where we formally advised the staff about the government's decision and explored the implications of that for staff of the ACCRA group.

**Senator ABETZ**—Given the amount of work that you have done in this area, you are saying to us as a committee that you cannot recall when you were first told about the government's change of plans in relation to the CPRS? I would have thought that would be, especially given what Dr Parkinson has told us about the morale, sapping—I do not want to put words into your mouth—or an impact on morale et cetera. I would have thought that would be something that you would remember when you first heard it, as well as the source, because it was such a significant issue in your career and that which you had been working on.

**Senator Wong**—Can I make a response to that, Senator?

**Senator ABETZ**—I am sorry, but I think only Mr Leeper can actually tell us when he first found out—that is, unless it was you who told him, personally, Minister.

**Senator Wong**—I am the minister at the table, and I am taking the question. Really, what you are asking is the same set of questions we traversed this morning.

**Senator ABETZ**—Sorry?

**Senator Wong**—What you are going to is the same issue that we traversed this morning about the timing of particular decisions.

**Senator ABETZ**—No.

**Senator Wong**—We have answered that.

**Senator ABETZ**—No.

**Senator Wong**—Well, it is. We have answered that. I appreciate your view about that answer, but we are not proposing to add to it.

**Senator ABETZ**—No, I am asking when Mr Leeper first found out about the decision, because, as I understand his evidence, on the morning that he consulted with senior staff et

cetera, and spoke with them, he was still of the view that it was business as usual. Is that correct, Mr Leeper?

**Mr Leeper**—I am setting up a regulator, Senator, so I am not responsible for policy advising on these matters. I would not expect to be at the forefront of any chain of communication. The fact is that on the morning of the 27th I advised my staff that, as far as I was aware, we were still on track to keep going. That reflected my knowledge at the time.

**Senator ABETZ**—That is right.

**Mr Leeper**—That does not reflect anything about decision-making processes or timing.

**Senator ABETZ**—Right. So thereafter—

**Senator Wong**—That is a very important part, so do not ignore the last part of that answer.

**Senator ABETZ**—I will not. Thank you very much for that advice.

**Senator Wong**—I would again make the point that it was the Prime Minister who announced the decision.

**Senator ABETZ**—We know that you were bypassed in that regard, but, as to why you would want to draw attention to it, I do not know, Minister. But that is fine.

**Senator Wong**—I am making the point that obviously it is not going to be a departmental official announcing the decision.

**Senator ABETZ**—Of course not. That was not the question. The question was: given Mr Leeper's involvement in climate change policy, regulation policy et cetera, or policy implementation, having devoted some real efforts to it, it would be surprising if you did not have some emotional attachment—and, if not emotional, at least a degree of professional attachment to your work. To be told 'she's all on hold for a while' would have come to you as a bit of a surprise. You might actually recall when you were told that and by whom. It is not a difficult question, especially in the circumstances.

**Mr Leeper**—I think I said just a few minutes ago that, due to the fact that I am implementing the regulator, I had no responsibility for policy on the ETS. I would not expect to be told immediately when decisions might or might not have been taken.

**Senator ABETZ**—Yes, and we want to know when you were told and by whom. We are not making any criticism that you were not involved in that decision; all we want to know is when you were told and by whom.

**Mr Leeper**—If you want me to be precise, I would have to take that on notice.

**Senator ABETZ**—I do not want the exact hour or minute; but can you tell us the day, whether it was morning or afternoon and by whom?

**Senator Wong**—That has been taken on notice.

**Senator ABETZ**—Wait a minute—no.

**Senator Wong**—No, Senator—I am not going to have an official do what he or she is entitled to do at these hearings, which is to take questions on notice, and then be badgered again about the same issue. The question has been taken on notice.

**Senator ABETZ**—I was told that, if I wanted the exact, precise detail, it would need to be taken on notice, and I accept that he might not recall the exact hour of the day. But, as to the day that he was told, by whom, whether he would have taken notice whether it came from the minister or Dr Parkinson or Mr Comley, I would quite frankly find surprising, because I would imagine that to be in Mr Leeper's personal knowledge right here and now. He may well be able to say, 'Such and such told me, but I cannot recall whether it was early morning or early afternoon.'

**Senator Wong**—That goes to when the decision was made. That is what you are trying to seek.

**Senator ABETZ**—No.

**Senator Wong**—We have answered these questions.

**Senator ABETZ**—No, it does not. If you are really asserting that as being an issue, then it is quite clear that the decision must have been made after Mr Leeper advised his staff that it was still business as usual, which would be a very interesting point, and it looks as though we are closing in.

**Senator Wong**—No. There is a whole bunch of—

**Senator ABETZ**—But if it is not—

**Senator Wong**—Senator Abetz flights of fancies in that logic—

**Senator ABETZ**—If it is not, then Mr Leeper should be able to tell us who told him.

**Dr Parkinson**—It would be highly unusual for an official to announce to a large group of staff a cabinet decision before that decision had been made public. Mr Leeper met with his staff and told them, as he said, that he had no reason not to believe that work was to continue. That was on the morning of the 27th. That was the morning of the Lenore Taylor article in the *Sydney Morning Herald*. It was, as I understand it, prior to the Prime Minister's statement at the Nepean Public Hospital.

**Senator ABETZ**—That is right.

**Dr Parkinson**—As soon as the Nepean Public Hospital statement had been made, it was public knowledge. I immediately arranged to talk to all of the SES at 9.30 am the next morning and formally advise them of the implications of this for the department.

**Senator ABETZ**—Thank you for all of that, but it still does not tell us when Mr Leeper found out. He told us before—

**Dr Parkinson**—Senator, I said earlier that there were a range of discussions, with advice provided, over some time to ministers and to the cabinet. Mr Leeper was party to some of that. Those issues were held—

**Senator ABETZ**—Ah—

**Dr Parkinson**—Senator, before you jump too quickly, Mr Leeper was—

**Senator ABETZ**—I did not interrupt you.

**Dr Parkinson**—Mr Leeper was party to some of that, as were other officials. Besides me, no-one in the department was going to be able to inform the staff of whatever decisions had

been taken without it having come from me. So, Mr Leeper would have seen, on the morning, the Nepean Public Hospital announcement. I cannot recall whether I spoke to him later in the afternoon, but I discussed with my colleagues first thing the next morning.

**Senator ABETZ**—You say he would have; why can't Mr Leeper tell us himself whether he actually did or did not, and the source—

**Dr Parkinson**—He has offered to take it on notice.

**Senator ABETZ**—And the source—

**Senator Wong**—He has taken it on notice.

**Senator ABETZ**—And the source from which he found out. Do you need to take that on notice, Mr Leeper?

**Senator Wong**—He has taken it on notice.

**Senator ABETZ**—The source from which you found out?

**Mr Leeper**—I think it was part of the original question, which I said I would take on notice.

**Senator ABETZ**—That was in relation to the precise detail, and that is why I then said that I do not need the precise detail, just the person who told you. You are telling this committee that the one simple question as to who told you has to be taken on notice; is that correct?

**Senator Wong**—Senator—

**Senator ABETZ**—Is that correct, Mr Leeper?

**Senator Wong**—No, I am the minister.

**Senator ABETZ**—Do you need to take that question on notice?

**Senator Wong**—I am the minister at the table. The officer has taken the question on notice. He ought not be badgered. I can refer you to a whole range of *Hansard* quotes from Senator Brandis telling Senator Lundy off for doing far less than you are now doing. Officers are entitled to take the question on notice. If you have additional aspects of information you also wish to place on notice, you are free to do so, but Mr Leeper has taken the question on notice.

**Senator ABETZ**—Thank you for your gratuitous lecture.

**Senator Wong**—It is not a gratuitous lecture.

**Senator ABETZ**—When a question is taken on notice, it can be taken on notice for a whole range of reasons—

**Senator Wong**—He does not have to give a reason.

**Senator ABETZ**—But a reason was proffered—

**Senator Wong**—He does not have to give a reason.

**Senator ABETZ**—But a reason was proffered by Mr Leeper himself that, if I wanted the precise detail, he would need to take it on notice. I accepted that. I therefore recast the question to not inquire about time but only what means or by whom he found out about the

decision. If Mr Leeper says that it is not within his knowledge at the moment and he has to take it on notice, that is all that there is to it, and I have to accept that. Can I invite Mr Leeper to think very carefully—

**Senator Wong**—Careful.

**Senator ABETZ**—about—

**Senator Wong**—Be very careful here.

**Senator ABETZ**—him indicating to the committee that he has to take the question on notice.

**Senator Wong**—That is a very worrying statement you just made.

**Senator ABETZ**—It was not a worrying statement. It is a question.

**Senator Wong**—Are you implying any form of threat?

**Senator ABETZ**—What?

**Senator Wong**—Because, as I recall, witnesses before Senate committees—

**Senator ABETZ**—You really are bizarre, Minister.

**Senator Wong**—No, I am not. I do not appreciate—

**Senator ABETZ**—You are bizarre.

**Senator Wong**—Eric Abetz calling me bizarre is an interesting form of irony, but I will leave that. He should not be pressured by you in any way around a decision to take the question on notice. I am uncomfortable with the form of words you just used, inviting him to think about it carefully. I reiterate: the question has been taken on notice. The officer is entitled to take the question on notice.

**Senator ABETZ**—He is.

**Senator Wong**—It is not appropriate for you to continue to badger him.

**Senator ABETZ**—We could then have Senate estimates where on that basis every single question is taken on notice.

**Senator Wong**—Sounds a bit like the workplace relations estimates I spent many years in with you at the table.

**Senator ABETZ**—I am sure you are not interrupting.

**Senator Wong**—Eight hundred questions you put on notice.

**Senator ABETZ**—I am sure you are not interrupting.

**Senator Wong**—Sorry, I was interrupting; I accept that.

**Senator ABETZ**—We can have every question at estimates being taken on notice. The usual procedure is that, if you are unsure as to the information, you need to check somewhere like with the cabinet secretariat as to what may or may not have transpired. I accept all of that. But basically what we are being told is that Mr Leeper at this stage is unsure as to the source or how he may have found out about this, and he needs to check. If that is the basis of the evidence, so be it, but I must say I would find it surprising given his involvement that he

would not know the first source that told him, 'All this work you have done has now been put on hold for three years.' That is the only observation I make, and I think it is a fair one.

**Dr Parkinson**—As both Mr Leeper and I have committed, we will take those questions on notice and get back to you.

**Senator ABETZ**—That is for yours, but with Mr Leeper I do make the observation that it would be surprising if it is not within his personal knowledge right here and now how he found out about the decision or from whom he found out about the decision. If he needs to check, because he made a diary note of it, to find out who told him, so be it.

**CHAIR**—I think the witness has taken the question on notice. Can we move on?

**Senator BIRMINGHAM**—Minister, where were you on 27 April?

**Senator Wong**—I would have to check my diary, but I think I was in Sydney.

**Senator BIRMINGHAM**—Were you aware the Prime Minister was making the announcement later that day?

**Senator Wong**—None of us came down in the last shower. We all know what you are doing, and my answer will be the same. I was part of the decision. I was aware of the decision before it was announced, and I am not going to go any further into cabinet deliberations on this issue.

**Senator BIRMINGHAM**—I am assuming the cabinet deliberations have concluded unless cabinet made the exact date and time and location of the Prime Minister's announcement of the decision—

**Senator ABETZ**—It was a retrospective decision.

**Senator BIRMINGHAM**—a part of the cabinet deliberations. Did you know the Prime Minister was going to announce it on 27 April?

**Senator Wong**—I am not going to go any further into these details.

**Senator BIRMINGHAM**—Were you asked to be with the Prime Minister for the announcement?

**Senator Wong**—I am not going to go any further into these details. I was not with the Prime Minister at the Nepean Hospital announcement. I believe I was in Sydney on that day, but I will check my diary.

**Senator BIRMINGHAM**—If you could check your diary that would be appreciated. Senator Fisher, do you want me to plough on with some of the other questions, or did you want to jump in with them?

**Senator FISHER**—Are we going to go into the reasons for the decision, Senator Birmingham?

**CHAIR**—In the 12 minutes before lunch? Where are we going with this?

**Senator FISHER**—Perhaps, may I?

**Senator BIRMINGHAM**—Feel free.



**Senator FISHER**—Thank you, Senator. Mr Parkinson, you referred in response to Senator Birmingham to your summary of the reasons for which the government took the decision to shelve the CPRS. Can you restate those please?

**Dr Parkinson**—Absolutely. The government had twice taken the bill to the Senate. The Senate had chosen not to pass the bill. There was an agreement with the opposition on a package that was to be considered in December. For the reasons that you know far better than I, the opposition chose to walk away from that agreement. The bill was not considered. Then we went to Copenhagen. While the Copenhagen Accord made real progress, it was not as much progress as had been hoped in many circles to the extent that we did not get a legally binding agreement.

Let me be very clear on this: I fully understand and accept the set of circumstances the government confronted. There was a question about how much progress was occurring internationally. Clearly action was occurring, but was it as much as we had hoped? The government's answer to that was, 'No, not as much as we had hoped.' I think that is an accurate description. Secondly, there was no likelihood that the Senate was about to change its mind on the issue. Therefore the government, I think quite rightly, concluded that we were not going to get the CPRS in and the best thing for us to do was to start to think about what we might consider to be transitional policies towards the date when we eventually have a CPRS or a carbon price of some form and complementary policies.

The reasons for the deferral are on the public record. I fully understand and accept and endorse those reasons. That does not mean, going back to my comment to Senator Birmingham, that I am not disappointed that the Australian political process got us to this position. But that is nothing I can change, and it is nothing the government could change.

**Senator FISHER**—Are you saying it was solely the Australian political process that got us to this position?

**Dr Parkinson**—No, in fact I just said that it was the combination of a perception that Copenhagen had not made as much progress as we would have liked. Let me be very clear on this: in saying that, I am not saying Copenhagen did not make progress. Copenhagen made quite a lot of progress. Indeed, I am on the record in a speech I gave to the Lowy Institute a couple of weeks ago in saying in fact the failure to make more progress towards a legally binding agreement may actually turn out to be beneficial because of the way in which it will give us a chance to encourage countries to take on more ambition. So, Copenhagen is definitely a component of it, but also the fact is that there was no obvious sense that the Senate was going to change its mind.

**Senator Wong**—I think you might wish to consider Budget Paper No. 1, page 26. There are obviously the public comments of the Prime Minister and my public comments. I did go to quite a lot of media, as you may or may not have seen on this issue. The budget papers really articulate quite clearly the government's position:

The Australian Government remains committed to tackling the challenge of climate change through the Carbon Pollution Reduction Scheme (CPRS).

... ..

... the Australian Government recognises that, in light of the continued absence of Parliamentary support for the CPRS, it will not be possible to commence the CPRS on 1 July 2011.

The government will continue its efforts to build support for global and domestic carbon markets.

It is also crossportfolio, in Budget Paper No. 2, which sets out budget measures at page 9. You will see the issue articulated as well as the impact on the fiscal balance and underlying cash balance.

**Senator FISHER**—Indeed, Minister, a little earlier in response to Senator Birmingham, I believe I heard you indicate that the slow action in the realisation of progress on global action on climate change was part of the government's decision; is that correct? I heard you reaffirm that.

**Senator Wong**—You and quite a few other people would have heard me say that on a number of times. We have said there are two reasons for it. One of them is that we cannot get it through because your side of politics abandoned its support for a price on carbon, a bipartisan position. Your side of politics executed a leader who was going to implement that policy. Your side of politics is now dominated by people who do not believe climate change is real. Do I regret as an Australian citizen, let alone as a minister, the fact that the bipartisanship on an issue of such importance to the future of the nation has been lost? Yes, I do. I think it is a very sad day that the alternative government has reverted to such a regressive position. But I am not able to change that, and nor am I able to get votes inside your party to come up with a more logical and sensible position.

**Senator FISHER**—Thank you, Minister. Dr Parkinson, I gather from your earlier response that you agree with the minister and the government that the slow progress in the realisation of global action on climate change formed part of the reason for the government's shelving the CPRS. Irrespective of your not liking the political consequence of that, do you agree with the government that that formed part of the government's reason to shelve the CPRS?

**Dr Parkinson**—Absolutely. But—

**Senator FISHER**—And with Copenhagen being a key part of that?

**Dr Parkinson**—Senator, absolutely I agree with that. Let me go back again to what I said just a few moments ago. I have made a number of speeches since Copenhagen drawing the distinction between failure to achieve a legally binding agreement at Copenhagen and making progress at national level in responding to climate change. I think it is true that, at Copenhagen, we did not make as much progress as we would have liked to have seen in terms of a legally binding agreement. It is also true that, globally, if you recognise the limited time frame we have in which to operate if we are to avoid dangerous climate change, then it is true that action is occurring too slowly. On the other hand, I said that is not saying that nothing is happening globally, which is the way it is presented in Australia all the time. Quite the contrary; there are very, very significant actions underway, but they are not as significant as we need.

**Senator FISHER**—I understand from that—

**Dr Parkinson**—So in that sense I fully endorse what is in Budget Paper No. 1 and Budget Paper No. 2. I have given a speech to the Australian Business Economists, at the Lowy

Institute, and yesterday at the Australian Property Council which reiterated both of those issues.

**Senator FISHER**—I understand from what you have just said that the failure to achieve a legally binding agreement at Copenhagen did form part of the reason for shelving the CPRS?

**Senator Wong**—We are going around in circles here.

**Senator FISHER**—Can Dr Parkinson please answer that question, Minister.

**Senator Wong**—I am answering the question.

**Senator FISHER**—I am almost getting to the end.

**Senator Wong**—I am answering the question. He can add to it if he wishes. We are going around in circles. There is no ah-ha moment in this. This was what the Prime Minister said in the Nepean Hospital. This is what I said in, I think, nine or so interviews I did thereafter—certainly the next day and night—and the Prime Minister and I and the Treasurer and others have said that on the public record.

**Senator FISHER**—Dr Parkinson?

**Dr Parkinson**—I agree entirely with what the minister has said.

**Senator FISHER**—So you—

**Dr Parkinson**—Sorry, Senator. There is no sliver between us on this issue.

**Senator FISHER**—You introduced that concept of a sliver. Your speech to the Australian Property Institute yesterday, of which I have a copy, on page 5 says: ‘As you are aware, the government recently announced its intention to delay the CPRS until after the end of the current Kyoto commitment period in 2012. This decision reflected the domestic reality of a parliament that had already rejected the CPRS legislation twice and does not seem disposed to change its mind.’ You then go on to talk about whether or not that target—

**Dr Parkinson**—And Senator, if you would like—

**Senator FISHER**—range can be achieved. Why did you not, Dr Parkinson—I have not asked my question yet.

**Dr Parkinson**—Okay, Senator; I apologise, but—

**Senator FISHER**—May I?

**Dr Parkinson**—You may, but I can tell you—

**Senator FISHER**—Dr Parkinson—

**Dr Parkinson**—if you go back two pages earlier, you will find what you are looking for.

**Senator FISHER**—Actually a page earlier. My question is: why did you not acknowledge in the same sentence the contribution of the failure to achieve a legally binding agreement at Copenhagen when you take me to—what is it, two pages before you say?

**Senator Wong**—Senator Fisher, with respect, this is an editing question.

**Senator FISHER**—Actually it is a little earlier than that.

**Dr Parkinson**—I think it might even be page 1, where there is a reference—

**Senator FISHER**—Yes, that is exactly it, so it is further back than two pages.

**Dr Parkinson**—Sorry, Senator, where there is a reference that says about disappointment domestically and internationally.

**Senator FISHER**—Today you are drawing a clear link between the first page of your speech, where you refer specifically to Copenhagen, so you are acknowledging that the lack of a legally binding outcome at Copenhagen was also a contributing factor to what you referred to as the political outcome in terms of delaying the CPRS some four pages later in the speech?

**Senator Wong**—Does anybody understand what that question is?

**Senator FISHER**—Dr Parkinson, my question is: would you also include in your comment that the government's announcement to delay the CPRS reflected the domestic reality of the parliament but also reflected the lack of a legally binding agreement at Copenhagen?

**Dr Parkinson**—As you know, because you have the speech in front of you, the speech starts off by saying—

**Senator FISHER**—Your speech does not say that, which is why I am asking you the question.

**CHAIR**—Dr Parkinson, can you respond to Senator Fisher, and if we need to continue this after lunch, we will.

**Senator FISHER**—Hopefully not—in terms of continuing it after lunch.

**Dr Parkinson**—Senator Fisher, I think you are drawing a very long bow about the way that speech is structured. Both points are there. You heard me in my comments a moment ago about the international and the domestic dimensions. I cannot change the international dimensions. I cannot change the domestic dimensions. I would have liked to have seen the Australian polity come up with a different outcome domestically, irrespective of what happened internationally, but that is a value judgment of mine.

**Senator FISHER**—My final question, Chair, and I then I will have finished: Dr Parkinson, did you consult with the minister or her office prior to delivering yesterday's speech?

**Dr Parkinson**—I have been asked this question many times.

**Senator FISHER**—Since yesterday, have you?

**Dr Parkinson**—No, many times about my speeches.

**Senator FISHER**—I am asking about yesterday's speech.

**Dr Parkinson**—Indeed, the minister's office is actually on the record as saying that I provide them drop copies of speeches, but I do not consult with them. That is exactly the same here.

**Senator FISHER**—Thank you, and that is the case in this speech?

**Dr Parkinson**—That is the same here.

**Senator Wong**—There was one occasion when we had some time, and I suggested a different form of—

**Senator FISHER**—A Martin memo?

**Senator Wong**—No, it was a speech. He asked me, ‘What do you think of this sentence?’ We had a discussion, but that was about the geopolitical analysis.

**Dr Parkinson**—That was geopolitical.

**CHAIR**—Yes, thank you. We will now break for lunch.

**Proceedings suspended from 1.02 pm to 2.04 pm**

**CHAIR**—We will resume proceedings. Over the lunch break the committee determined that the Office of the Renewable Energy Regulator will not be required, so you may leave. We are still in Program 1.1.

**Senator BIRMINGHAM**—Dr Parkinson, thank you for circulating the staff notice during the break. That is appreciated. I have one area of questioning out of that. I note in the middle of the document it states: ‘The process of redeployment will be supported by formal guidelines that have already been reviewed by the staff consultative committee and agreed.’ When were those guidelines drawn up and when did the staff consultative committee meet to agree them?

**Dr Parkinson**—I can take that on notice, but Ms Weir might be able to assist. To be clear, these are a set of change management guidelines that had been in preparation for quite some time within DCC about how we would manage change in the event of it, so they were not related to this issue but carried across to DCCEE and they were worked on there. They were not designed specifically for the instance that we confronted but designed to allow for any type of circumstance.

**Ms Weir**—I believe we are referring to the managing change protocols document. That was the subject of significant consultation with the relevant unions and with our staff consultative committee over a period of some weeks. We also had a discussion about that document at a meeting of the SCC. The document was in existence and close to finalisation. I need to take on notice the date of that signing off, but the document was in train and had been through a process at the time of the staff note. I will take on notice the exact dates of that process.

**Dr Parkinson**—We will also find out when I met with the staff consultative committee, which was not long after DCCEE had been created. It predates the CPRS decision quite considerably, but the formal sign-off will be closer to the date.

**Senator BIRMINGHAM**—Thank you. I am grateful to receive the information in such a timely manner. Dr Parkinson, you have commented and Senator Fisher was questioning you before the break about the strength of your views that you have been putting that the reduction targets cannot be reached without a price on carbon. Do you believe that the reduction targets can be reached, in particular the 2020 target of a minimum of five per cent, if implementation of the ETS does not occur until 2013, 2014 or 2015?

**Dr Parkinson**—I believe they can be, but obviously if, rather than doing it in say 2013, it did not start until 2016 and you are still aiming for the same target then you have much more abatement that has to occur over a much shorter period. The longer you defer the start beyond the end of the Kyoto period, the higher the costs.

**Senator BIRMINGHAM**—At what point does it become unattainable?

**Dr Parkinson**—That is essentially a value judgment. We would have to go away and think about what the profile looked like. In part, it comes down to the issue of whether people believe that the price on carbon will come in at a particular date in the future. If they believe that will happen then they will begin to act like it. If there is continuing uncertainty about whether there will ever be a price on carbon then people will not act and so the abatement task will be greater. In a sense, it hinges on investor and household perceptions of the commitment of the two major parties to action on climate change.

**Senator BIRMINGHAM**—Markets respond to expectations as much as they respond to reality.

**Senator Wong**—Mr Abbott being leader is a reality at the moment.

**Senator BIRMINGHAM**—Thank you. Dr Parkinson, you indicated that 2016 was still obtainable in terms of implementation; it was difficult and harder than 2013.

**Dr Parkinson**—It would depend on how you wanted to go about doing it. If you were prepared to purchase more international units then you could achieve it at a later date. But, the longer you delay, the more international units you have to purchase or the higher the domestic cost. You confront it either through the purchase of international units or in terms of the abatement that has to be done domestically.

**Senator BIRMINGHAM**—Do you have any estimates on what the additional cost of the delay that has been decided upon already by the government would be, either in terms of domestic cost or the purchase of international units?

**Dr Parkinson**—No, we do not, but I would have thought that the impact would be relatively minimal. But we have not done estimates of that.

**Senator BIRMINGHAM**—Minister, what is the framework or the trigger for the reintroduction of the ETS as a government measure? We have heard words from the Prime Minister and you about the end of the Kyoto period and some form of international agreement. What form of international agreement is acceptable to the government in that regard?

**Senator Wong**—I will go back to the budget. The Prime Minister and I have talked about greater clarity and the actions of other major emitters, particular China, the US and India. Obviously there may be a number of forms in which that may become clear. I am of the view that necessarily the international situation will become clearer because there is a hard milestone or a hard deadline in the end of the Kyoto commitment period which will require developed nations or Kyoto parties to determine what they do thereafter, which gives its own impetus to the broader international arrangements. But the wording that is in the budget papers reflects what the Prime Minister and I have said—that is, only after there is greater clarity on the actions of major economies, including the US, China and India.

**Senator BIRMINGHAM**—So you would be looking for both a global framework and specific action from those major emitters, or could specific action from those major emitters be sufficient?

**Senator Wong**—Greater clarity. I think you are aware of this. One of the issues at Copenhagen was abbreviated to MRV—that is, measurable, reportable and verifiable—which is a complicated way of making sure that everyone is doing what they say they are doing. That was a significant aspect of the negotiations multilaterally, but also in the small room—the Friends of the Chair process or whatever the correct term is—and also plurilaterally in the negotiations between President Obama and China, India and South Africa. There is a paragraph in the Copenhagen Accord which reflects those agreements; it requires implementation. The form of that implementation is still to be agreed and to be worked through. That will take a fair bit of work, but the principle is to make sure we know that everyone is doing what they say they are doing.

**Senator BIRMINGHAM**—Thank you. I would like to go to a slightly more specific matter that was reported recently regarding the impact of the decision on carbon sinks and carbon forests, in particular, and requests from that industry to be able to sell their credits internationally. It was presented in a manner suggesting there is somehow a legislative restriction on them doing so. Have you had representations in this regard?

**Mr Comley**—The department has had representations from carbon sink providers who have suggested that is one potential solution to the problem they perceive. It is not so much a legislative issue. As part of the CPRS framework the government made a decision to not allow exports of credits until at least 2015. What they are effectively asking for is the transfer of an AAU, an assigned amount unit, out of Australia to the international markets, so that would fall within a policy of not exporting at the moment. It is a policy decision that the government has made to date.

**Senator BIRMINGHAM**—Have those representations been made to the department and not to you at present, Minister?

**Senator Wong**—I will have to take that on notice, meaning they may well have been. I cannot recall every representation that is made to me on climate change.

**Senator BIRMINGHAM**—Is the government considering such a policy change or have any decisions or discussions been made surrounding it?

**Senator Wong**—I do not know that I can reasonably add to Mr Comley's answer on that.

**Senator BIRMINGHAM**—If you could take on notice any details of discussions, that would be appreciated. I am sort of shifting through some other areas of 1.1 unless people want to jump in at any stage. I am going to refer to the PBS in relation particularly to 1.1. There are two programs, the Australian Carbon Trust and the Climate Change Foundation Campaign. Both have funding allocated to them in 2010-11, yet within program 1.1 the department continues to receive significant program support funding through the forward years. Why is that program support funding continued at significant levels when these program areas appear to drop off and there are no budgeted replacements?

**Dr Parkinson**—Can you tell me which page you are looking at?

**Senator BIRMINGHAM**—Page 21, program 1.1—

**Mr Leeper**—Program 1.1 has a program objective which covers legislative targets around renewable energy, the Carbon Pollution Reduction Scheme work, the greenhouse gas emissions suite of measures. There are a range of policy matters covered by that program 1.1. The program support component reflects the fact that there are ongoing departmental resources that need to be devoted to those activities, notwithstanding that there are lines in there for the carbon trust and the Climate Change Foundation Campaign. That table is showing you the attribution of the department's resource efforts to the various programs and subprograms. You will find a similar line in 1.2, 1.3 and 1.4. It is really reflecting the effort that the department is putting into that area at a departmental expenses level.

**Senator BIRMINGHAM**—Could you take on notice providing some level of detail. I do note that there is a step down in the level of program support funding allocated from 2010-11 into the forward years, but if it is possible to break down any of those details further that would be appreciated.

**Senator Wong**—We will consider that but I will flag to you that, as Senator Abetz and I spent a number of years arguing about this, further levels of disaggregation have not routinely been provided.

**Senator BIRMINGHAM**—If you could look at it and obviously if I am not satisfied with your response we will bring it up again at another estimates. I can but ask you to take it on notice and take a look at it. Could we also get to the bottom of Budget Paper No. 2 where we look at the detail surrounding the CPRS deferral in the first instance and the use of some of those funds to establish the Renewable Energy Future Fund?

**Senator Wong**—This is the fund you want to abolish if you win; is that the one?

**Senator BIRMINGHAM**—Thank you, Minister.

**Senator Wong**—I just want to make sure we are talking about the right amount, because you have cut a number of renewable energy programs. I was just checking that this was the one you want to talk about.

**Senator BIRMINGHAM**—It is the one called the Renewable Energy Future Fund. The budget papers make a distinction between the cash savings from the deferral of the CPRS and present that distinction as such so that all of those cash savings appear to be reinvested in the Renewable Energy Future Fund, yet of course it is also noted in there that the deferral of the CPRS package improves the fiscal balance by \$2.7 billion over the five years of the budget papers. Why is that distinction made and in particular I guess why is it then presented—and it certainly has been presented by the Prime Minister and others—that all of the savings from the deferral from the CPRS have gone into the Renewable Energy Future Fund?

**Mr Comley**—As I am sure you are aware, the principal distinction between underlying cash and the fiscal balance is to do with the difference in the recognition of timing. It is not quite correct to describe the fiscal balance as an accrual measure and underlying cash as a cash measure, because when you look at some measures in fiscal balance they look a bit cash like. But the key difference here is the way in which permit revenue would have been recognised under the CPRS. So there are a range of situations where you would have had cash



not being received for the permits, particularly with a decision to have deferred payments, but you would not receive the cash although you would have a fiscal balance entry. The numbers here fully reflect, if you like, the net cash balance that would flow in and out of the government budget and does not pick up some of those accrued revenue that would occur for the rest of the scheme because they are effectively forward purchases.

**Senator BIRMINGHAM**—Amongst the savings are additional net departmental savings of \$237.6 million. Are they all savings to the DCCEE or are other departments wearing some of that?

**Dr Parkinson**—If they are not all ours there would only be a little bit from other departments. Ours would be from the decision to terminate the establishment of ACCRA so we returned the forward funding flow back to the budget and, off the top of my head, that is around \$230 million, \$240 million.

**Senator BIRMINGHAM**—It is \$237.6 million.

**Dr Parkinson**—Off the top of my head that sounds very close.

**Senator BIRMINGHAM**—I am mindful of the minister's warnings about disaggregation, but equally if these are savings that accrue across several departments then it should not be quite so hard to disaggregate if you are able to take a look at where those savings are accrued from?

**Dr Parkinson**—I think they are all ours, but we will just check that there is nothing else mixed up in it.

**Senator BIRMINGHAM**—We just addressed the Renewable Energy Future Fund. In the 2008-09 budget there was a Renewable Energy Fund which claimed to be providing \$500 million over seven years. Whatever became of the Renewable Energy Fund?

**Senator Wong**—That is still there. This is additional funding.

**Senator BIRMINGHAM**—This is additional in a different fund?

**Senator Wong**—It is described in the budget papers as the Renewable Energy Future Fund, I think. As to the funding you refer to, I do think there has been a name change on it but it is not actually our portfolio that administers it.

**Dr Parkinson**—I think it is the Resources, Energy and Tourism.

**Senator Wong**—It is definitely the Resources, Energy and Tourism portfolio but I—

**Dr Parkinson**—I think it is the Australian Centre for Renewable Energy, but we would have to check that.

**Senator Wong**—That election commitment is being delivered through Minister Ferguson's department. There might have been a name change on the fund that preceded this. I cannot recall.

**Senator BIRMINGHAM**—I did not quite catch what he thought it was but just to assist me in looking at resources—

**Senator Wong**—He was referencing an announcement by Minister Ferguson of the Australian Centre for Renewable Energy, but can I suggest on that issue you would have to go to DRET.

**Senator BIRMINGHAM**—I appreciate that as you would appreciate from your time on this side of the table, departmental or program name changes are a challenge from year to year.

**Senator Wong**—On that issue I was not being critical of you.

**Senator BIRMINGHAM**—That is all that I have for 1.1.

**CHAIR**—If there are no further questions we can move on from there to general questions of the department.

**Senator FISHER**—I will deal with questions on notice. Dr Parkinson, the previous committee asked in February this year at previous estimates, I think in round terms, some 90 questions on notice. In the last four business days, if you count from Friday last week, we have progressively had ranging from 10 to, I think, 17 answers to questions on notice per day in each of the last four business days. Since Friday last week up until as recently as 10 o'clock last night we have had about 55 or 56—almost 60—answers to almost 60 questions on notice of the 90 asked. So there are still 20 answers outstanding, as I understand it. From the department that is some 20 out of 90 remaining outstanding in rough terms and 60 of those 90—so almost about two-thirds—answers came in the last four days from a department that has essentially had some four months since those questions were first asked. Can you explain why we should find that acceptable?

**Senator Wong**—That is p actually a question for me. I appreciate that some of them were late but we have actually made a very substantial effort, remembering that quite a number of questions along with functions were transferred to us. It has also been a period in which there have been a number of decisions by government which have affected the content of answers. Whilst I understand your view, I would respectfully suggest this is actually by historical records a pretty reasonable attempt at getting most answers on questions. Quite a number of these were finalised late because, as I said, there have been a range of decisions in a range of areas which have required answers to be updated. I will endeavour to chase up the remaining answers. Our records show 17 outstanding—

**Senator FISHER**—That is fine. I did approximate the 20—

**Senator Wong**—I acknowledge because frankly I—

**Senator FISHER**—It is hard to keep track.

**Senator Wong**—It is for us as well. I would just say to you I also had water estimates where I was seeking to try to finalise as many of those. Notwithstanding Senator Birmingham's criticism, we did actually try to finalise a lot of those as well.

**Senator BIRMINGHAM**—I note we got some back from the October estimates as well.

**Senator FISHER**—You just said that you were trying to finalise. Of the almost 60 answers that we did receive in the last four days, were all of those residing with relevant ministers' offices rather than the department, were they?

**Senator Wong**—It is only this minister.

**Senator FISHER**—In your office? Were they in your office?

**Senator Wong**—They are not a job lot. At different times different answers are in different places, including in different departments, because you recall that we only gained some parts of what is now DCCEE post the administrative orders changes in March that required a transfer of questions from the previous committee dealing with this. I will endeavour to finalise any outstanding questions as soon as possible.

**Senator FISHER**—These figures may need shifting a bit, but if we accept that there were some 94 questions asked and possibly some 17 outstanding—

**Dr Parkinson**—On the latest numbers, there were 94 questions asked and there are 17 outstanding.

**Senator FISHER**—That essentially means—

**Dr Parkinson**—Seventy-seven opinions—

**Senator BIRMINGHAM**—Just for the sake of the record, because my office is looking at this as well, I think we received 14 answers on Monday; 26 on Tuesday, 10 of which were quite late; 16 yesterday; and one or two today.

**Senator Wong**—It has been an effort to try and make sure you had them before the hearing, Senator.

**Senator BIRMINGHAM**—To make sure I might have them, but to properly consider them is a different matter.

**Senator Wong**—I would love to go back and look at the 700 questions that were put on notice when Senator Abetz was representing in the Employment and Workplace Relations portfolio, where there were so few questions. I appreciate what you are saying, Senator, but we have made an effort to comply. I acknowledge that there are some outstanding and we will attempt to deal with those as quickly as we can.

**Senator FISHER**—Thank you, Minister. We look forward to that. Dr Parkinson, of the 77 which have been answered, did all of those go from your department to the minister's office before they came to the secretariat?

**Senator Wong**—It is my answer, Senator.

**Dr Parkinson**—They are the minister's answers.

**Senator Wong**—I have to sign off on all the answers.

**Senator FISHER**—Thank you.

**Senator Wong**—As did your government.

**Senator FISHER**—Dr Parkinson, how many of those 77, if any, went in a form to the minister's office and then were subsequently returned to the department for change?

**Senator Wong**—Senator, could I ask you to consider that it is a process where there would be a variety of procedures in relation to different questions. If you want to have a whack at me for not complying with the provision of all 94, you have done that, but I really would ask that

we are not required to go through every 94 questions and track every interaction with a question over the last period of time.

**Senator FISHER**—I am asking Dr Parkinson to group—so, to indicate the number of—those 77 questions that were returned from the minister's office to the department for one reason or another, rather than being passed to the committee.

**Dr Parkinson**—Just to be clear then, you are asking of the 77, how many of those—

**Senator FISHER**—If any.

**Dr Parkinson**—if any, had to go through an iteration between the minister's office and the department for whatever reason.

**Senator FISHER**—Thank you.

**Senator Wong**—We will take that on notice and I am flagging the resources which you are flagging that we would need to undertake a tracking process of every question on notice, I am not sure I am going to want to do that; I will be frank with you. These people have a lot to do and you are asking—

**Senator FISHER**—I genuinely find that surprising, but I will reconsider my request if you are able to convince me of that.

**Senator Wong**—They have a lot of work to do, and what you are asking is an administrative process in relation to questions with which you have already been provided answers. If the political need is to be critical of me, then do so, but do not send us on some process where somebody has to follow every iteration, particularly in the context of there being substantial policy changes which impacted on the answers.

**Senator FISHER**—I would have thought there would be an electronic record which would be reasonably easy to amass, but if it is a significant impost then I am happy to receive that information and reconsider my request. I presume I can do that since I am making it; I can withdraw it upon further advice, I would have thought, but I am happy to be convinced of that. Finally, Dr Parkinson, can you also indicate, of those 77 answers, the date upon which the penultimate draft, which became the answer, was provided to the minister's office?

**Dr Parkinson**—I will have a look at what information we can pull out.

**Senator FISHER**—I am sure that your electronic records are very good.

**Senator Wong**—You cannot presume that.

**Dr Parkinson**—Our electronic records were designed for a very small department. We are now a very large department.

**Senator FISHER**—Is the scale of the task bigger than your department, Dr Parkinson? Please do not say that. We have heard that about a scheme that you now get to administer—the entrails of, should I say.

**Dr Parkinson**—In fact, what you read in the *Canberra Times* was only part of what I said, if that is what the reference is to.

**Senator FISHER**—No, I am actually referring to the Minter Ellison risk register foretelling that the scale of the home insulation program was new to, and too big for, what

was originally the environmental department and subsequently has become your department; it is that to which I refer.

**Senator Wong**—Just so you know, at the Employment and Workplace Relations estimates in May 2007, 285 answers were provided on the Friday afternoon previously and 70 about an hour prior to the hearing. This is me having a go at Senator Abetz.

**Senator FISHER**—This is relevant?

**Senator Wong**—It is relevant, because it does go to past practice.

**Senator ABETZ**—She always feels better after having a go at me.

**Senator FISHER**—Okay; therapy. Go with the therapy, Minister, come on. Bring it on.

**Senator Wong**—Senator Abetz goes through the fact that as minister, maybe he has been dissatisfied with the answer, wanted more information and it got bounced back and forth between the department and his office. I think that was when Mr Hockey was Minister for Employment and Workplace Relations. What I am suggesting is that I am happy to do a mea culpa in relation to the non-provision of the 17 and you have made that point, but I will flag with you if we are being required to track every interaction in relation to a question on notice in a context where we have a transfer of—

**Senator FISHER**—I have not asked for that.

**Senator Wong**—That is exactly what you have asked for.

**Senator FISHER**—No, I have not.

**Senator Wong**—Listen, excuse me, Senator.

**Senator FISHER**—I have not asked for every interaction, Minister. You can provide that if you wish, but that is not what I have asked for.

**Senator Wong**—Well, actually, it does, in effect, ask for it because you have asked questions which go to that including ‘penultimate’, but—

**Senator FISHER**—Hopefully, most of them will have been done.

**Senator Wong**—Have you finished?

**Senator FISHER**—I will pause.

**Senator Wong**—I am just waiting, Senator, until you have finished.

**Senator ABETZ**—It is as though you do not interrupt. Do not get high and mighty, Minister. We all do it so do not try and get high and mighty.

**Senator Wong**—There is a threshold. I am not; I am just getting bored with it, actually.

**Senator FISHER**—I am waiting.

**CHAIR**—Order! Complete your answer, Minister, and then Senator Fisher may have another question.

**Senator Wong**—I again make the point that a number of these questions related to areas the department only became responsible for post the machinery of government. I just would like to make this point: the average response times under this government have decreased in

relation to questions from 115 days to 76 days. We are actually seeking to do far better than our predecessors. I accept responsibility for the fact that 17 remain outstanding, but the vast majority of them have been provided to the committee.

**Senator FISHER**—Have the answers to those 17 all passed from your department, Dr Parkinson, to the minister's office?

**Dr Parkinson**—No, they have not.

**Senator FISHER**—Some of the answers are still with your department?

**Dr Parkinson**—Some of them are, yes.

**Senator FISHER**—How many?

**Dr Parkinson**—Off the top of my head, there would be a handful.

**Senator FISHER**—Less than half of the 17?

**Dr Parkinson**—Less than half, but the point is that there are some which we have not yet managed to get answers to. As I said, I will look to see what I can do to answer your questions.

**Senator FISHER**—About the questions.

**Dr Parkinson**—About the questions.

**Senator FISHER**—Thank you. I have got a couple of questions about your organisational chart and then I will leave it at that. Mr Thompson, I note that you look after the Renewables and Energy Efficiency Division and Demand Driven Programs. How do you define those?

**Mr Thompson**—That is a division which looks after a range of primarily rebate programs but also some grant programs. We call them demand driven; it is not a particularly elegant name, but we call it that because typically they are programs which have been driven by the demand from householders for those rebates or those particular grants. It also includes administration of the National Solar Schools program. It includes the solar hot water rebate, which is now part of the Renewable Energy Bonus Scheme; the Solar Homes and Communities program; the National Solar Schools program; the Green Loans program; and it will also administer the Green Start program.

**Senator FISHER**—Demand driven programs—you have said it is kind of an inelegant name—are those that are primarily rebate based and therefore driven by demand from householders for rebate.

**Mr Thompson**—From householders and the community.

**Senator FISHER**—The Home Insulation Program, of course, would have been demand driven under that definition, would it not?

**Mr Thompson**—It could be defined as such, but as you know, and as you can probably see from the chart there, the Home Insulation Program closure, or wind-up, and ensuing programs around safety are managed by Mr Bowles.

**Senator FISHER**—Is that why those programs reside with you, Mr Bowles? I mean if the Home Insulation Program satisfies the definition of 'demand driven program', why is it residing with you?

**Mr Bowles**—They reside with me because that was a decision made by government earlier this year and my responsibility is about dealing with the closure of the Home Insulation Program and the safety inspection programs.

**Senator FISHER**—Did you say the government decided that you would look after that program?

**Mr Bowles**—Not me, specifically. I was asked by the Prime Minister and Cabinet secretary to come and handle the closure of the Home Insulation Program and subsequent inspection programs.

**Senator FISHER**—Why does the Home Insulation Program belong with a different deputy secretary from the deputy secretary who looks after other demand driven programs?

**Dr Parkinson**—It is a workload issue.

**Senator FISHER**—That is a sufficient explanation. Do you want to expand on that?

**Dr Parkinson**—I thought you just said it was a sufficient explanation?

**Senator FISHER**—It is, and I think that is a rhetorical question because of the—

**Dr Parkinson**—Perhaps if it was 10 minutes to 11 and we had to fill in a bit of space I would be happy to, but not now.

**Senator FISHER**—I note that the box for the demand programs compliance assistant secretary says ‘vacant’. Have you got a person?

**Dr Parkinson**—Yes. As I said in—

**Senator FISHER**—Kind of a worrying box to be empty, so I am glad it is full.

**Dr Parkinson**—It would be a very worrying box to be empty. As I said this morning in my opening remarks, this is the structure we put in place when the energy efficiency people joined with the DCCEE people to create the new department. Since then we have gone out and put additional resources into all of these spaces. As I said this morning, to the demand driven programs we have added a first assistant secretary, Ms Rankin, and in fact there are four assistant secretaries operating under her; in the case of Mr Bowles’s side, we have seven assistant secretaries leading teams in that HIP space. This is dated 7 April. We are moving to a new structure which will take effect in July, but this structure has now had all of those spots filled in and some additional boxes added.

**Senator FISHER**—So with the position of Demand Programs Compliance, I presume the duties of that job are as it sounds?

**Dr Parkinson**—Absolutely. It is audit and compliance related issues.

**Senator FISHER**—For the demand programs?

**Dr Parkinson**—For the demand driven programs.

**Senator FISHER**—How long has that position existed, albeit empty?

**Dr Parkinson**—It is not empty. It is filled.

**Senator FISHER**—I understand it has now been filled. Did you say it was filled as of today?

**Dr Parkinson**—No. What I said was when the DEWHA heritage and DCC heritage people came together we put this structure that you have in front of you together as our interim structure and worked on filling in all of those positions. It was vacant as at Wednesday, 7 April, but has been filled subsequent to that, and we have added an additional SES position, so another one of these green boxes into that column and we have added additional SES resources to Mr Bowles's side.

**Senator FISHER**—Have you had someone, for example, looking after compliance of the Green Loans program since you inherited the program?

**Dr Parkinson**—It was sitting with one of the other assistant secretaries.

**Senator FISHER**—What was? Was it the Green Loans?

**Dr Parkinson**—The Green Loans compliance.

**Mr Thompson**—Just to be clear, the fact that we did not have a branch dedicated to compliance for these demand driven programs does not mean that there was no compliance going on. There was compliance activity prior to this structure and prior to the machinery of government change; it was just being handled in a different way. It was being handled in the responsible line areas for each of those programs.

**Senator FISHER**—Why have you seen fit to handle it in this way now?

**Mr Thompson**—We are trying to consolidate the compliance activity across a number of these programs. That will pick up compliance activity for the Solar Homes and Communities Plan, for example, and Green Loans. A major job for the person in that role will be to manage the contract that we have entered into with AECOM to deliver compliance and audit functions under the Green Loans program.

**Senator FISHER**—Why are you trying to do that?

**Mr Thompson**—I think there are efficiencies associated with that.

**Senator FISHER**—What about effectiveness?

**Mr Thompson**—Also effectiveness. I was about to say that one of the rationales for consolidating that sort of activity is that we try to attract people with a compliance skill base, people who have a background or a history in compliance, so that they can come in to undertake that role more effectively.

**Senator FISHER**—Have concerns about the allegations of ineffectiveness of compliance, for example with the Home Insulation Program, fed in to this decision to do it differently in terms of having someone ensure compliance for demand driven programs?

**Dr Parkinson**—If you recall my opening statement this morning I said we had moved to ramp up specialist resources available for audit compliance intelligence gathering. We have put in place project management systems, new governance arrangements and a central capacity around compliance. The framework you have here is very much the reaction when Mr Thompson and Mr Bowles sat down with me and said, 'How do we structure ourselves?' This was very much a first cut at that and, as I said, from 1 July we will be moving to a new structure which builds on that. This is an interim structure, very much focused on ramping up our compliance audit activities, freeing up other people to deal with the backlog of Green



Loans assessments or insulation payments and the like. It is trying to create clusters of expertise.

**Senator FISHER**—When you say it is a reaction are you contemplating that it is in part a reaction to the previous experiences in respect to the home insulation scheme? It would be good to hear that some lessons have been observed and learnt.

**Dr Parkinson**—If you go back to what I said in my opening remarks this morning, I was quite explicit. I quoted from Dr Hawke and said that coming out of the Hawke review we had a set of four key things that we were focused on; governance, compliance and appropriate resourcing were key to that. That is one of the things that we have done. We have put in place governance structure that spread some of the load across the department, we have put in specialist resourcing and we have really ramped up the compliance side. It is very much influenced by what Dr Hawke has said, with the set of ongoing reviews into various aspects of what is now the new department.

**Senator FISHER**—Thank you. Here is to ensuring that it is effective.

**Senator MARSHALL**—What is the current total staffing level of the department?

**Dr Parkinson**—Currently 1,139.

**Senator MARSHALL**—It is probably too early to have an attrition record, but do you have some expectations of what your attrition rates may be per year?

**Dr Parkinson**—Typically when you go through machinery government changes you get relatively high attrition for a period immediately afterwards. Obviously it is too early for us to know what that attrition rate would be, but in a more stable environment one would expect something in the region of 10 per cent or perhaps a little higher per year.

**Senator MARSHALL**—It is somewhere north of 10 per cent.

**Senator BIRMINGHAM**—Has anyone asked these questions of Mr Abbott.

**Senator MARSHALL**—I do want to. There is a proposal around that there should not be any public sector recruitment over the next two years and if you are looking at a potential 20 per cent reduction, an unplanned and uncontrolled reduction of staff over the next two years, then I would like to know how you might deal with that. We have heard Senator Fisher and others complaining about not getting questions back from the minister on time in estimates and that might be something that has impacted if you have a 20 per cent staff reduction over a two-year period.

**Dr Parkinson**—Broadly 10 per cent is around normal, or something a bit more than that. Let us assume for a new department post-MOG changes it is higher. If we had say 14 or 15 per cent over two years then that would be in excess of 300 staff. That would be almost 60 per cent of the resources that we have focused on the energy efficiency side and roughly 60 per cent of the resources that we have focused on science, adaptation, mitigation and international negotiation. It is almost four times our corporate team. Something would have to give.

As I mentioned in my opening remarks this morning, the workload of the department is very high and the complexity of the agenda is quite significant. If I had to cut 300 staff out of

the department or deal with 300 fewer staff then the only way to deal with it would be to massively cut particular functions.

**Senator MARSHALL**—Yes. You would not be able to do what you do. It is one thing to deal with a cut of 300 staff, but it is another thing for it to go at a random level because you have no control over who is going to resign or even retire. There can be a little bit more human resource planning for retirement, because you know when people are at a particular age and some people signal in advance that they might be considering retiring over a period of time.

First of all, what is the general breakdown in that roughly 10 per cent of people retiring, as opposed to people resigning?

**Dr Parkinson**—That is a per cent number for total turnover.

**Senator BIRMINGHAM**—And perhaps including departmental transferring as well?

**Senator MARSHALL**—Yes, I would like to get on to that too.

**Dr Parkinson**—For us, we are a very young department, so I am just trying to think whether there have been any retirements in DCC in the last 2½ years. It would be literally a couple out of staffing of 550. On the DEWHA side I have no idea.

**Senator MARSHALL**—Say if someone had some specific skills that were not generically held by everybody across the board. How would you manage that replacement if you were not able to broadly advertise across the public sector and also externally?

**Dr Parkinson**—That would be the biggest difficulty. You would have a very significant difficulty which would lead you to have to cut functions, just with a decrease in staffing of that number. The management challenge would be trying to match skills to the things that you are still required to do. You can always get clusters of departures and if you cannot renew those skills then that is quite difficult.

**Senator MARSHALL**—Each time you plug one hole you actually create another hole somewhere else that has to be plugged at some point.

**Dr Parkinson**—That is right.

**Senator MARSHALL**—If you are still required to do the function that the government requires you to do and you do not have the staff then I presume one of the options is to simply go externally and engage contractors, because it is a freeze on public sector employment and not necessarily a freeze on employment per se. Would that be one option?

**Dr Parkinson**—It could be an option. It would depend very much on what government wanted us to do.

**Senator MARSHALL**—Let us assume they want you to do what you are doing now.

**Dr Parkinson**—You would never go out to external consultants to do serious policy design and development. You would not have designed the CPRS by giving it to a bunch of consultants. You would use consultants to bolster the skill set that you needed to do particular things. I think that would be quite problematic.

There are other things that you could outsource. You could outsource payment arrangements and a range of other things, but then presumably all you are doing is switching employment from the public sector to the private sector.

**Senator MARSHALL**—In my general experience a contractor ultimately costs more than a direct employee that is doing the same job. Would that be the general experience?

**Dr Parkinson**—That would be my expectation.

**Senator MARSHALL**—If the government, for instance, wanted you to continue to provide the same services at the same level that you are providing now, but you did not have the staff and you were forced to go to contractors, it could in fact cost more?

**Dr Parkinson**—It would be expected to cost more in the long run. Typically when we use contractors we use them either because they have a very specific skills set that we need for a short period of time and it does not warrant bringing them on to the full-time staff, or we have a spike in demand for work to be done and we bring them in, use them in those areas and at the end of the contracts we have no ongoing employment relationship. The consequence of that though is that they tend to be more expensive.

**Senator MARSHALL**—Apart from the terrible inefficiency of having to manage uncontrolled resignations and retirements, and trying to backfill those things. This is in an environment where you cannot employ staff, of course. Apart from that terrible inefficiency that is imposed upon you, unless there were going to be service cuts and you were then required to do that work with contractors it would in fact cost more. There is no efficiency or no cost savings through a public service employment freeze unless there are actual cuts to programs that go along with that.

**Dr Parkinson**—As a general comment, I think it is always important that we try and do things as efficiently as possible, but ultimately were I, or any other secretary I think, asked to handle a significant reduction in the size of their organisation the only choice you would have would be to cut functions. That would be something that would have to be discussed and negotiated with the minister of the day.

**Senator MARSHALL**—I have not heard what cuts are proposed along with this public sector freeze that is being proposed, and I suppose I never will.

**Senator BIRMINGHAM**—Firstly, there is a part of my question you did not answer. In terms of the 10 per cent issue or whatever departure rate, what proportion of those are transferred to other departments?

**Dr Parkinson**—I would have to take that on notice. It depends very much—

**Senator BIRMINGHAM**—I need something as approximate as the approximation you just gave Senator Marshall.

**Dr Parkinson**—I am able to give the approximation of around 10 per cent, because typically 10 per cent to 15 per cent are the sorts of turnover numbers that you see. But agencies go through cycles. After periods of disruption you often get higher departure rates. Things settle down. Departure rates stabilise. Where people go depends a lot on the skill-sets they have. If you typically think of a group of people, for example, macroeconomic forecasters, they do not tend to go to other agencies. They tend to go to the private sector. If

you are thinking about generic policy development or program administration skills, your market might be much more other departments. We could have a stab, but that is all it would be and I would really have to have a look because off the top of my head I do not know, and I do not know whether Ms Weir knows, where our departures have gone.

**Senator BIRMINGHAM**—I am happy for you to provide the answer in detail, but as Senator Abetz said, what is the stab—and subject to correction?

**Dr Parkinson**—I was just asking if we have any data at all.

**Ms Weir**—We do not collect information on where people transfer to. We do know people transfer across within the public service, so we could provide that. But we do not collect it in any more detail than that.

**Senator BIRMINGHAM**—A good proportion of that 10 per cent, I would have thought, are transferring elsewhere within the public service.

**Dr Parkinson**—It would be a reasonable share.

**Senator BIRMINGHAM**—That is fine.

**Senator Wong**—It took you a while to say that.

**Senator BIRMINGHAM**—I am taking far less time on this than Senator Marshall has in the past.

**Senator BIRMINGHAM**—Speaking of this policy, let us go down a slightly different track here—

**Senator MARSHALL**—It is a stupid policy.

**Senator Wong**—I just want to respond to that, Senator Birmingham. I do not think you can have it both ways. You cannot say, on the one hand, that you are not actually going to lose any expertise because everybody stays and, on the other hand, claim a whole bunch of savings as one of your major budget reply measures. It is illogical.

**Senator ABETZ**—That is very immature.

**Senator Wong**—It is not immature. It is a question of logic.

**Senator ABETZ**—There are numbers between one and 10. The point was trying to be made that all would be lost to the public service. Senator Birmingham has brought the discussion back, very sensibly, that they will not all be lost to the public service because there are a lot of intra-transfers within the public service, and that is the figure that—

**Senator MARSHALL**—How many?

**Senator ABETZ**—Dr Parkinson is getting that for us.

**Senator Wong**—Why don't you put to us what you have assumed is the proportion that are actually interdepartmental transfers and we will tell you whether your policy costings are right. I do not reckon you actually did that. Your budget reply and subsequent—

**Senator ABETZ**—You worry about your \$40 billion budget deficit before you tell us how to budget.

**Senator Wong**—You are the alternative government and you are the one putting forward this policy. I would hazard a guess that there was nothing in Mr Hockey's speech nor Mr Robb's rather unfortunate press conference which actually said what proportion of people they thought were actually going to move between departments. I might be wrong. If those assumptions underpin your costings, you could have the courage of your convictions and tell us what they are and we will tell you whether that accords with our experience.

**Senator ABETZ**—Are you going to answer Senator Birmingham's question on notice or not?

**Senator Wong**—What was the question?

**Senator BIRMINGHAM**—I think Dr Parkinson has taken it on notice. That is fine. I would like us to move on, at least a little distance in any event. What is the total agency budget for 2010-11?

**Dr Parkinson**—If you go to page 33 of the PBS, about half-way down the top part of that table it has 'net cost of services' and then it has underneath 'revenue from government'. We have \$95 million of moneys from government. In addition, we have an as yet unspecified transfer from the department of environment as their section 32 transfer, which goes with the resources that it transferred across to us. We have gone through the so-called section 72 transfer, which is the staff being moved across, and now we have to go through the section 32 transfer, which is the dollars being moved across. We are still in discussion with the department of environment as to how much that will be.

**Senator BIRMINGHAM**—None of the resources for the transfer of staff have been budgeted for in your budget? It would obviously still be reflected in DEWHA.

**Dr Parkinson**—That is right. We have been given \$95 million from government and we are still working through the transfer from DEWHA. Until we know that we will not know what our starting point budget is. That is departmental expenses. Administered moneys are quite different. This is the department.

**Senator BIRMINGHAM**—Taking into account program expenses, administered funds and so on, what is the total budget outlay?

**Dr Parkinson**—Page 13, the resource statement, the very bottom line, total net resourcing—\$1.617 billion.

**Senator BIRMINGHAM**—What would be the equivalent figure for 2011-12?

**Dr Parkinson**—That reflects prior year appropriations as well as what has been given this year. So, the amount proposed at budget, and then the \$1.617 billion is the total.

**Senator BIRMINGHAM**—That is the total for 2010-11?

**Dr Parkinson**—Yes.

**Senator BIRMINGHAM**—And the forward estimates for 2011-12?

**Dr Parkinson**—The departmental forward estimate is again shown on page 33, where you can see the revenue from government is spelt out to 2013-14, but the forward estimates for administered—

**Mr Twomey**—They will be on page 41. Page 41 provides details of appropriation from government for administered items, and table 3.2.5 on page 39 details departmental capital funding.

**Senator BIRMINGHAM**—We see some marked drop-off in the overall funds administered by the department, do we not?

**Dr Parkinson**—That is correct.

**Senator BIRMINGHAM**—Dropping from \$1.45 billion in 2010-11 down to \$402 million in 2011-12, stretching out to \$30.7 million by 2013-14 in terms of administered outlays. I will not try the maths on the spot, but it is obviously a single digit percentage of the starting base.

**Dr Parkinson**—That is correct.

**Senator BIRMINGHAM**—What are your expected forward projections for staffing numbers over the next few years?

**Dr Parkinson**—We do not produce forward estimates of staffing numbers. We have to be mindful of the departmental resource base, which is what I pointed to on page 33, but this sort of pattern is not unusual in the sense that you have lapsing programs. Typically, the program is put in place for a fixed period. You are funded for that. Prior to the end of that there is an evaluation or a decision as to whether or not to continue the program. This sort of pattern is fairly typical.

**Senator BIRMINGHAM**—It is, although this government is going to an election staking its reputation on delivering a \$1 billion budget surplus in 2013-14, so it does not have a lot of room to decide to reinvigorate too many of these programs. In fact, if it reinvigorated the ones just in this one agency it would blow its surplus.

**Dr Parkinson**—The bulk of these administered moneys relate to the household insulation program, which—

**Senator ABETZ**—We would not blow money there, would we?

**Dr Parkinson**—as you know, we would say is a terminating program. It has been terminated and we are dealing with a range of legacy issues, so you would not expect moneys to be added to that program.

**Senator BIRMINGHAM**—When we met earlier this year a couple of doors up in a different committee you had some fairly specific outlines for additional staff recruitment that would be undertaken for the implementation of the ETS and timelines for those. Why is it that you do not have a similar forward projection now looking at the budget that has just been handed down?

**Dr Parkinson**—Those recruitment timelines were around the establishment of the climate change regulatory authority and very much driven by the sense that—and I think I may have actually used this language—we were expected to have the regulatory authority operating by a particular point in time. Therefore, working backwards, we had to recruit and hence we had worked out timelines, what was the last time at which we could make those recruitments. I cannot recall whether it was to you or to Senator Abetz that I made the observation that were we not to have done that and then not have all the capabilities needed to run ACCRA at the

time the scheme started you should quite rightfully be quite critical of me. So, what we have done is in a sense a risk management profile in terms of staffing and in terms of decision making about issuing of tenders and making investments. This is a different situation. We have inherited this. We have a problem we have to deal with. We have a set of issues we have to deal with now. At this stage we are still getting a sense of what remains to be done. It is only through that process that we will have a better idea of what our longer term staffing numbers will need to be.

**Senator BIRMINGHAM**—I accept you have a risk management process for delivering on legislation and legislative and statutory requirements. I would have equally thought there was a responsible budgetary process there to think about staff resourcing requirements in the years ahead, and obviously Program 1.2 is the main area of drop-off, as you have highlighted. It is not just the home insulation program, though.

**Dr Parkinson**—No, that is true.

**Senator BIRMINGHAM**—A number of programs are listed there. Indeed, by the time you get to 2013-14 only one is still being funded out of all of the different programs cited. Is it at all reasonable to believe that the department would still have 1,100 staff in 2013-14 when it probably only has a budget to barely pay those staff and no programs to administer?

**Dr Parkinson**—Clearly not. If this was the situation you would not be able to have a department of 1,100 staff with the resource base. Can I come back to your point about it being a risk management exercise to ensure that we understand our future staffing profile and future staffing needs. I agree entirely. In fact, at this very moment, we are in the process of beginning to build zero based budgets for all of the department to ensure that we do not run into the sorts of problems that you are alluding to. We do need to understand at what timeframe we will have completed various parts of the work of the home insulation program and others and build that into our future staffing profile. That is reflected in the way in which we have approached the accommodation issue, where we have not sought accommodation for 1,139 staff. We have sought accommodation for in the region of 750 staff.

**Senator BIRMINGHAM**—So, 750 in terms of your expected ongoing requirements in the accommodation sense?

**Dr Parkinson**—That would obviously be influenced by what the government chooses to do in terms of the programs that we currently have responsibility for or any that we may be given responsibility for in the future.

**Senator BIRMINGHAM**—When do you expect that process to reach some conclusions?

**Dr Parkinson**—For this year we are hoping to have that done by end of June, and we will then be moving to look at that, in terms of our overall resourcing envelope for the out years, between end June and probably August.

**Senator BIRMINGHAM**—In terms of the 1,139 staff, how many SES officers are currently employed in the department?

**Dr Parkinson**—It is in the region of 60.

**Senator BIRMINGHAM**—That is approximately 60 out of the total of 1,139 staff and so on?

**Dr Parkinson**—Yes. I think it is a bit less than 60. It is in that ballpark. Again, I come back to what I said this morning. I indicated that quite a few of the additional staff that we have put into the two energy efficiency groups are acting staff and others are on temporary transfer from other agencies. As I indicated this morning, Mr Bowles is with us temporarily from the Department of Defence. We do not have in the region of 50 to 60 substantive SES. We have in that region of people either substantive or doing SES jobs at the moment.

**Senator BIRMINGHAM**—You had 553 staff from DCC, 445 from DEWHA, with a total of 998. You currently have 1,139.

**Dr Parkinson**—That is right.

**Senator BIRMINGHAM**—Are most of those extra 142 from temporary placements?

**Dr Parkinson**—No. There are 1,006 APS staff. They comprise a mix of ongoing and non-ongoing staff. There is 1,006 APS, of whom 773 are ongoing and 233 are non-ongoing. Then there are 133 non-payroll staff—that is, contractors, consultants, and the like. Of the 51 staff that I mentioned this morning that have been added to the two energy efficiency groups, 36 of those are non-ongoing, eight are temporary transfers from other parts of the public service, and only seven of them are new engagements to the department.

**Senator BIRMINGHAM**—What is the total salary bill for the department?

**Dr Parkinson**—Coming back to page 33, on the very top line, ‘Employee Benefits’, it is \$65.523 million. That is, again, without the section 32 transfer from the Department of Environment.

**Senator BIRMINGHAM**—So, that is missing 445 of your employees?

**Dr Parkinson**—Effectively. It is the moneys associated with those staff who transferred from DEWHA that are not reflected in that.

**Senator BIRMINGHAM**—So, that salary bill essentially reflects 600 or thereabouts?

**Dr Parkinson**—Yes. Basically it is the 1,139 minus the 445. It is effectively around 700.

**Senator BIRMINGHAM**—So, it would comfortably be another 70 per cent to 80 per cent higher than that?

**Dr Parkinson**—Yes. You would expect the salary-only bill to be in that sort of order.

**Senator BIRMINGHAM**—So, in the \$100 million to \$110 million range?

**Dr Parkinson**—We are currently in the midst of negotiations with the Department of Environment so I would like to be a little coy about what it is that I am asking for.

**Senator BIRMINGHAM**—Certainly.

**Dr Parkinson**—Not quite commercial-in-confidence, but you get the drift.

**Senator BIRMINGHAM**—You have given me the range and I guess we will see updated figures on those in future estimates. I would like to go into a little more detail of the organisational framework and note your comments that a lot of it is under change and review. How many staff are currently within the Emissions Trading Division?

**Mr Comley**—The number is around 40 in the Emissions Trading Division.



**Senator BIRMINGHAM**—How many of those are SES level?

**Mr Comley**—There are five SES-level people in the Emissions Trading Division.

**Senator BIRMINGHAM**—What are your expectations in terms of change in that area, or is that an area where change has already taken place?

**Mr Comley**—Changes will take effect from the restructure of the department on 1 July this year and parts of the Emissions Trading Division will become what is going to be known as the Climate Strategies and Markets Division. We will be moving in the renewable energy target work with the previous emissions trading staff. They will also take over central coordination of climate change strategies going forward. The concept is that we keep people with an expertise in market based instruments, of which the RET CPRS style instrument are two, in one place and we also include the broader climate change strategy, particularly on the mitigation side.

**Senator BIRMINGHAM**—What size do you expect that new division to be?

**Mr Comley**—That will be broadly the same size as the previous emissions trading, but with the functions of the renewable energy target and the strategic coordination brought within that division.

**Senator BIRMINGHAM**—Are there any changes expected in the International Division?

**Mr Comley**—There is no substantive changes in the International Division. As part of our restructure we are reorganising the way in which we deal with climate change land issues, so there is a slight change within the department, but fundamentally the same task is being performed by the International Division.

**Senator BIRMINGHAM**—How many staff are currently in the International Division?

**Mr Comley**—The International Division currently has 60 staff.

**Senator BIRMINGHAM**—How many at SES level?

**Mr Comley**—There are five at SES level.

**Senator BIRMINGHAM**—You said that there will be some slight change there?

**Mr Comley**—For some time the department has had issues to do with land, which includes things like accounting for land emissions within the national inventory, how to deal with stakeholders on things like offsets related to the land sector, and how to deal with international land spread across a number of divisions. We have tried to consolidate that within one land division that will be formed, particularly to better deal with the interface with stakeholders so they have one way into the department. One element of that, the so-called LULUCF—land use, land use change and forestry—rules which were previously done in the International Division, are now going to be primarily done within the Land Division. There are two aspects to that work on the international side. One is almost the technical side, the rules and how that relates to accounting, and the other part is how we think of that as part of our international negotiations and foreign policy objectives. The thing is to have that more within the Land Division than within the International Division.

**Senator BIRMINGHAM**—How many staff do we currently have in the ACCRA Establishment and CPRS Implementation Division?

**Mr Leeper**—That is a difficult question to answer, because the functions have moved around a bit. In the ACCRA group, which contains both CPRS Implementation staffing and also ongoing staffing related to the National Greenhouse Energy Reporting Scheme, we counted a total of 172 ongoing staff and 25 non-ongoing staff, so it is 197. That is between that division and also—on the chart that you have—the Data Reporting and Registration Division and the Stakeholder Support and Engagement Division. So, across those three pink divisions the total staffing of non-ongoing and ongoing was 197.

**Dr Parkinson**—Senator, this is the area that has been most subject to the redeployment issues. We are in a situation at the moment that those staff are still in a sense attached, wrapping up work in those areas, but many of them are shortly to be deployed elsewhere around the department to fill existing vacancies.

**Senator BIRMINGHAM**—In terms of the new structure, what will be left of the ACCRA Establishment and the CPRS Implementation Division?

**Mr Leeper**—If you look at those first three pink divisions, there will be a division after 1 July called the Greenhouse Energy Reporting Division, which would comprise the division head role, the branch head that is shown there, and also the Audit and Outreach branch from the division two across. The Compliance and Intelligence branch in the Stakeholder Support Division moves into a Governance and Program Support Division that we are establishing to provide centralised program support and program governance. All of the jobs in the large central column there cease.

**Senator BIRMINGHAM**—So, that whole line will be redeployed in one way, shape or form?

**Mr Leeper**—Yes.

**Senator BIRMINGHAM**—If I can just jump back to International Division for a moment, of the 60, with five SES, how many are in the multilateral negotiations branch?

**Mr Comley**—I will get the precise number. I would have thought that in the order of 15 would be the right number for that.

**Senator BIRMINGHAM**—Is there just the one at SES?

**Mr Comley**—That is right. Perhaps I should clarify—I was jotting down names on the SES. In the international side there are five substantive SES. There is one acting SES at the moment. There is actually a four-branch structure, which you might have in front of you, and then a division head and a chief adviser, so there are six if you include one acting. I think I said before that the Emissions Trading Division had five SES. It is actually four. I had a previous structure in mind.

**Senator BIRMINGHAM**—Thank you.

**Dr Parkinson**—Senator, you asked how many SES. There are 58 substantive and acting SES positions, but as I said, a large number of those are acting positions. That is less than five per cent of the department.

**Senator BIRMINGHAM**—What is the role of the Chief Adviser International?

**Mr Comley**—Principally, one way we think about it is almost an alternate division head, and the principal reason for having two officers is the travel demands of that division are very high. Louise Hand, who is the Ambassador for Climate Change and the division head, travels extensively in negotiations. The coverage of international meetings and the management of the division when that person is overseas require the extra resource. So it is both—to do international negotiations and representations at a high level but also to manage the division in the absence of the division head.

**Senator BIRMINGHAM**—Overall we have the Chief Adviser International, Ms Hand is the Ambassador for Climate Change and Mr Bamsey is the Prime Minister's Special Envoy for Climate Change?

**Dr Parkinson**—At the moment, Mr Bamsey is also heading the Prime Minister's Task Group on Energy Efficiency Secretariat.

**Senator BIRMINGHAM**—In those two roles, to whom does he report? He reports to you in both?

**Dr Parkinson**—He reports to me in both. Obviously, in the role of special envoy he is not doing very much travel at all at the moment.

**Senator BIRMINGHAM**—What are the costs of those three positions?

**Dr Parkinson**—We would have to take that on notice.

**Senator BIRMINGHAM**—How many departmental staff travelled overseas in this financial year?

**Dr Parkinson**—Again, we are happy to take that on notice.

**Senator BIRMINGHAM**—What is your budget for overseas travel this financial year?

**Dr Parkinson**—I do not have that in front of me.

**Senator BIRMINGHAM**—Can anybody else help with that?

**Dr Parkinson**—I have said to you that—when you are talking about this financial year, are you talking about 2009-10? We can pull that together for you. It is easy enough to do, but it is not something that we anticipated, dealing with PBS issues here.

**Senator BIRMINGHAM**—Why don't I let you do that for now and I will let somebody else have a go for a bit.

**Senator WORTLEY**—The US National Academy of Science recently released reports examining climate change science. I am wondering if you can tell us what it says.

**Senator Wong**—Madam Chair, we might need a shift of officers. I might ask Mr Carruthers and also Professor Steffen, who has appeared—not before this committee, well he may have—before the committee previously dealing with this department.

**Mr Carruthers**—Would you repeat the question so that I have it exactly?

**Senator WORTLEY**—The US National Academy of Science recently released reports examining climate change. Can you enlighten the committee as to what the report said?

**Mr Carruthers**—This report was commissioned by the US Congress and was undertaken by the National Academy of Sciences with other national academies dealing with engineering, medicine and the National Research Council. The report will be in five parts. Three parts were released a week ago. The first is titled, ‘Advancing the science of climate change’, and sets out a series of findings. The first is that a strong, credible body of scientific evidence shows that climate change is occurring, is caused largely by human activities and poses significant risks for a broad range of human and natural systems. It then goes on to detail the specific nature of those findings.

**Senator WORTLEY**—Are you able to tell us what some of those risks were?

**Mr Carruthers**—It discusses changes in the climate system as a whole—the atmosphere, the oceans and the earth. It deals with sea level rises and the changes to coastal systems, the implications for freshwater resources, for ecosystems, agriculture, public health, cities, transportation systems, energy systems, national and human security, and climate policy generally.

The second volume deals with the impacts that will flow for society, the environment and the economy as a consequence of the changing climate system and how we should begin to adapt to the impacts of climate change. It is titled ‘Adapting to the impacts of climate change’, and it notes the importance of beginning now to adapt to the unavoidable impacts of climate change and those impacts that countries cannot avoid. It proposes for the US putting together a national adaptation strategy and roles to do that. Indeed, it describes that, if you like, as the beginnings of an insurance policy to protect the long-term security and welfare of the United States.

The third volume deals with limiting the magnitude of future climate change. Having concluded that some impacts of climate change are inevitable, it is a matter of how much we can limit those impacts, and that of course needs to be done through reductions in emissions of greenhouse gases. It identifies that a carbon pricing system is the most cost-effective way to reduce emissions and it sets about describing the range of near-term opportunities for limiting emissions through energy efficiency and low-carbon energy sources and the longer term strategy for reducing emissions. I think coming from the premier academic institutions of the United States, they have a very strong and solid body of advice that is coming forward to the US Congress. The other two volumes are due later in the year. This can be found on the web by googling ‘America’s climate choices’.

**Senator WORTLEY**—What was that you said about the other two volumes?

**Mr Carruthers**—The other two volumes will be coming out later in the year; one on informing decision makers on an effective response to climate change and how to communicate that.

**Senator WORTLEY**—Can I ask you what you make of comments made by Ian Plimer and other scientists with regard to climate change science?

**Prof. Steffen**—Ian Plimer has, as far as I can see, no standing at all in the credible scientific community. He has written a book that I have read two chapters of, and I have to admit I could not get through it. There are so many errors after the first two chapters I put it down and went back to marking papers from my ANU students, which were actually more

coherent than Ian Plimer's book. At last count there are over 500 errors that have been documented by scientists in that book. There are absolutely fundamental inconsistencies; for example, at one point he says there is absolutely no relationship between carbon dioxide and temperature, and then three or four pages later he says temperature leads carbon dioxide, which means there is a relationship. There are graphs that are truncated; there are graphs that are not cited in any way. This violates the most fundamental standards of basic science of any type, whether it is climate, whether it is physics, whether it is chemistry. When you look at it from that perspective it has no currency whatsoever in the credible scientific community.

**Senator WORTLEY**—Other sceptical scientists and Ian Plimer have been critical of the Intergovernmental Panel on Climate Change. What is your assessment of the allegations made against the IPCC?

**Prof. Steffen**—You have to bear in mind that the IPCC is a very voluminous work. There are three reports to it. Each is about 1,000 pages long. About 1,200 scientists from a very, very wide range of disciplines contributed to the IPCC reports. They cover exactly the same three areas that Mr Carruthers has just outlined. They cover basic science, they cover impacts and they cover mitigation. About 90,000 critical comments are received through the IPCC process. It is very thorough. I know that because I was a contributing author to Working Group I on the basic science of climate change, and every single one of those 90,000 comments is answered. They are answered in writing and they are answered in full—a very laborious process. It is the most thorough assessment that I have ever seen in the scientific community.

In terms of the errors, there were indeed two errors in the 2007 report. They were both in Working Group II. One of them concerned the melting rate of Himalayan glaciers, and there was indeed an error in Working Group II. The second one concerned the area of the Netherlands which is under sea level. Ironically, the error was caused by information provided by the Netherlands government, so it was hard to hold the scientists themselves accountable for that one.

Interestingly, if you go to the Working Group I report, which is the basic science, the treatment of the Himalayan glaciers is absolutely correct and accurate based on the best peer reviewed literature. The problem was there was a lack of proper communication between Working Group II and Working Group I.

So, let me summarise—3,000 pages of an exhaustive report, 1,200 authors and a total of two errors, both in Working Group II. Bear in mind that Working Group I is the report on which policy is based. This is the fundamental science that says, 'Is climate shifting? If so, in what ways and what are the causes?' It is on that basis that policy is made. That report is 991 pages long and there are zero errors. It has been extensively scrutinised by Professor Plimer and by all sorts of other people and they have found not two, three or five; they have found zero errors. So, you can be absolutely sure that that document represents a very fair, accurate and honest assessment, and I would just add very quickly in summary that this report, which has just come out totally independent of the IPCC, is in complete agreement with the main findings of the IPCC.

**Senator WORTLEY**—I do have further questions, but I can either continue them after the break, or—

**CHAIR**—You know that is never my favoured course of action, so we will take a break and if you could stay around we will have a few more questions.

**Proceedings suspended from 3.47 pm to 4.09 pm**

**CHAIR**—Senator Wortley has some further questions and then Senator Ludlam also has some questions of Professor Steffen and Mr Carruthers.

**Senator WORTLEY**—Still on the IPCC, can you tell us about the UN InterAcademy Council investigation into IPCC practices and also what it is intended to achieve?

**Mr Carruthers**—As Professor Steffen has explained, there has been quite a bit of public attention recently on IPCC processes and the identification that, in the second working group, there were two errors on points of detail. The Intergovernmental Panel on Climate Change has been operating for 20 years now and, as with any organisation, from time to time it is very healthy that an independent review be performed. I think this seemed, within the UN system, a good opportunity to do that. So in March the UN Secretary-General announced that the UN InterAcademy Council had been asked to prepare an independent review of the IPCC's process and procedures.

Essentially, the UN InterAcademy Council is the peak international body of national academies of sciences. A review panel comprising 12 members has been set up. These are very eminent scientists drawn from the academies. In the main, they are not climate change specialists; rather, they come to it in terms of undertaking a review of procedures and processes and looking for improvement. For example, the chair is Harold Shapiro, an economist of distinguished note and former President of Princeton University and the University of Michigan. If you like, there is a broad mix of disciplines and backgrounds on that review panel. It will bring forward a report in August, in terms of an assessment of the current procedures and processes used by the IPCC in preparing its assessment reports on the state of knowledge on climate change. It has begun its work. I have seen correspondence that has gone out to a variety of relevant people seeking their commentary on the current processes and procedures of the IPCC. I understand that they will be conducting interviews and so on with key persons who can advise them.

So I think, from the viewpoint of Australia, we very much welcome such a review and we obviously look forward to advice on any ways that the processes and procedures of the Intergovernmental Panel on Climate Change can be strengthened. It is a body that, I think, has a very strong and distinguished record in serving the interests of Australia and the world in making assessments of the state of knowledge of climate change—and we should always be looking for opportunities to improve practices. There will be a plenary session of the IPCC in October, and I would expect that this report will be considered at that session in terms of taking it forward and in terms of response.

**Senator WORTLEY**—Are you familiar with the process of preparing an IPCC report?

**Mr Carruthers**—Yes. I serve in the role of the Australian national focal point for the Intergovernmental Panel on Climate Change. I am not a scientific expert in climate change

but, from the viewpoint of the department of state in government that is responsible for climate change, we do coordinate Australia's national activity, and as part of that I am very familiar with the process of preparing IPCC reports.

**Senator WORTLEY**—Are you able to describe the process for us here today?

**Mr Carruthers**—Yes, I could do that. There are two basic forms of IPCC report. There are the fully-fledged IPCC assessment reports that cover, as Professor Steffen has remarked already, three volumes and a synthesis report. They deal with the science options, impacts and adaptation options, and emissions reductions options and the three options are then brought together in terms of a synthesis.

There is a process of selecting the lead authors; as remarked by Professor Steffen. There were about 1,250 lead authors involved in preparing the fourth assessment report, which was completed in 2007. The fifth assessment report is just getting underway; indeed, last week a bureau meeting occurred to select the lead authors for that. The process was that there was an open call in Australia for experts to indicate interest in participating; over 100 names were put forward by Australia. In addition to that, the IPCC itself made direct approaches to Australian experts. So, whilst we do not yet have the final list of Australian authors who will participate in the fifth assessment report, it looks as though there will be somewhere in excess of 30 lead authors and review editors in that report—and, indeed, that is a much stronger presence than even in the fourth assessment. So I think that is of great credit to Australia's research institutions across those fields.

The second form of IPCC report is known as a 'special report'. Such reports are done on nominated topics. For example, at the moment there is a special report under preparation on renewable energy.

Once the authors are selected, they proceed to prepare a first draft of their various chapters and the report is managed by coordinating lead authors and by the co-chairs of the three working groups of the IPCC. The first draft is then sent out worldwide to experts for comment. Those comments are then considered and a second draft report is prepared, which is then reissued. On second issue, the report goes out to experts again and also to the governments of the world. In Australia's case, as national focal point, we coordinate that process of putting together Australian government comments on that draft.

**Senator WORTLEY**—So that is the second draft.

**Mr Carruthers**—That is the second draft. We send that far and wide in the nation and make it generally known that we are in that process. We invite comments not just from within government but right across government and with the states, from research bodies and from business; anybody who would have an interest is invited to inform the Australian government's comments. We conduct workshops on the reports as part of that. Then we submit comments to the IPCC. There would typically be a few hundred comments coming just from Australia alone. So there are many thousands of comments submitted and each comment is considered on its own by the lead authors. The comments are all documented. The response to each of those comments—it is a very big task undertaken through volunteer effort by these pre-eminent international authors—is documented and can be found on the IPCC website for these reports.

Having gone through and considered all the comments, the authors go back to work again and produce a final draft of the IPCC report. That is then brought forward to governments and a plenary session of government representatives is convened. Working with the senior authors, they go through and, line by line, discuss and agree the text of the summary for policymakers. The main body of the report is solely the work of the authors. But, in the case of the summary for policymakers—because these documents are meant to inform decision-making in the nations' formation of policy—it needs to be in a form that is relevant for governments and others in a decision-making role.

Basically—in a carefully scrutinised process where the scientific authors always essentially have what I would describe as a 'veto call'—if there are any proposals for that summary that are not in accordance with the science as set out in the main body, essentially they blow the whistle and the proposals are not accepted. That process was given careful consideration in its construction, with 20 years of experience over four assessment reports so far, and I think it stands up very well.

**Senator WORTLEY**—What sort of time frame are you looking at, from the beginning right through to the delivery of the final report?

**Mr Carruthers**—The fifth report assessment, as I have mentioned, has just begun. Late last year, the IPCC plenary essentially agreed the chapter titles for each of the working group reports. As I have mentioned, the lead authors have just been selected; they will begin their drafting process later this year and go through the steps I have described. The plenary sessions to approve the fifth assessment report will be spaced through 2013 to the beginning of 2014. There will be four plenaries—one for each of the three working groups' reports and a fourth for the synthesis report. The same process happened in the fourth assessment.

**Senator WORTLEY**—Finally, do you believe that the process is a sound one?

**Mr Carruthers**—Very definitely.

**Senator LUDLAM**—I have a couple of questions since these witnesses are here. Thank you for joining us. This is just a follow-on from Senator Wortley's questions. So you do not believe then, as some commentators have called for, that the IPCC should be scrapped as a result of those two errors that were found in the 3,000- or 4,000-page fourth assessment report.

**Prof. Steffen**—Certainly, from my perspective, absolutely not. As Mr Carruthers has outlined, this is arguably the most thorough, most careful and most well-documented assessment process that I have ever seen in the scientific community; I think most people would agree with that. Put the two errors into context. I would ask any of you to try to find a document of 3,000 pages written by 1,200-and-some people over a five-year time that has only two errors; I think that would be unprecedented. As I said before, the critical volume, in my view, is Working Group 1—the fundamental science of how we understand the climate system and how it operates, how it is changing and why it is changing—and there are no errors in that. To me, that is a remarkable achievement. So I think the IPCC has easily stood any test that has been thrown against it. So I would strongly suggest that we retain this type of thorough assessment process.



**Senator LUDLAM**—From a layperson's perspective, each of the assessment reports since—was the first one in 2000?

**Prof. Steffen**—It was in 1996, wasn't it?

**Senator LUDLAM**—Earlier?

**Prof. Steffen**—No, 1991. No, it is—

**Senator LUDLAM**—I am glad that you folk do not know—

**Mr Carruthers**—The first assessment report was completed in 1990; it was set up in 1989.

**Senator LUDLAM**—So, from an outsider's perspective, it appears that with each of the assessment reports the science becomes more and more definitive—not ever certain, but we seem to be narrowing in—and the predictions become worse; the news seems to have become worse as we go. Just in the sense that early projections on sea-level rise, global mean surface temperatures and so on are now running ahead of what the early computer models said, is it fair to say that the news gets, on each hand, better defined and worse as we go?

**Prof. Steffen**—I would say, on many hands but probably not all of them, in general yes, and there is probably a reason for that: as we make progress in the sciences, we learn more and more about how the climate system operates. One thing you have to bear in mind is that we scientists tend to be very conservative in what we include in the climate models: we only include those things that we have a reasonable handle on, even if we have to guess some of the parameters initially—and, as we learn more about these processes, the models improve.

As to the ice sheets that you have mentioned, one of the problems is that we know very well how to model melting of ice sheets; what we do not know is how to model the so-called dynamic processes—that is, the splitting off of large blocks of ice from outlet ice streams and their subsequent sliding into the sea, which gives you a rapid and instantaneous rise in sea level. It seems now that our best estimates are that at least half of the contribution from those large ice sheets—large ice sheets being in Greenland and Antarctica—now come from the dynamical processes and not just the melting. So we scientists, being relatively cautious souls, do not want to put that in the models yet because we do not know how to model those dynamical processes; they are fairly chaotic. So the IPCC models of the fourth assessment report only had in them the melting function of the large polar ice sheets; they did have large polar ice sheets in.

Now, to be fair to the IPCC, if you actually read the detail of the Working Group 1 report, they were very careful to say that they could not rule out larger values; in fact, they actually pointed to the risk of larger values of sea-level rise, which they could not model. So I think, yes, there was a perception that they underestimated a critical feature of the climate system; on the other hand, I think the detail of the report says that they actually anticipated what we are seeing now: that the sea-level rise is rising at the upper limit of those earlier models. So, yes, that is cause for concern.

**Senator LUDLAM**—One of the indicators that is often used as a proxy for how we are doing and what to benchmark ourselves against is parts per million by volume CO<sub>2</sub> or sometimes CO<sub>2</sub> equivalent.

**Prof. Steffen**—Yes.

**Senator LUDLAM**—Again my understanding has been that, with each of these reports, we have seen a narrowing and, in some cases, a lowering of the threshold of what scientists—I know that the view is not unanimous—believe that we can get away with. Is it too early or too pre-emptive to talk about what AR5 might tell us? Are we heading for 350 parts per million or less as a target, and should policymakers start thinking along those lines?

**Prof. Steffen**—I will make a comment on that from a science perspective, then perhaps Mr Carruthers would like to comment too, because this is not just a science question. There are uncertainties in relating several things back to parts per million by volume of gases in the atmosphere. The first is the projected impacts and our ability to deal with them, and there are uncertainties around that science. At both ends of that, there are uncertainties about climate predictions, particularly at regional scales, and there is uncertainty about the systems that are being impacted, whether agricultural systems, urban infrastructure or so on. We are improving rapidly, and I am happy to say that I think Australia is in the forefront. But this is a relatively new area of science, so there are strong uncertainties around that. There are uncertainties around how fast we will mitigate climate change, which means how fast the world as a whole will reduce emissions—and that, of course, will affect how fast the climate shifts. So there is uncertainty there. In addition, there are still significant uncertainties in the climate models which are reflected in the ranges that you see in the IPCC. So you have a range of uncertainties that you have to factor into the risk.

Secondly, how you judge the risk depends on where you sit. The most vociferous calls for the 350 parts per million come from small island states that are in fairly imminent danger of being inundated out of existence—and, I would say, within the next 50 to 100 years in the worst cases. So they obviously have a different perspective of risk than, say, people in northern Siberia, who would say, ‘Yeah, let’s have it three or four degrees warmer; it’s actually a much nicer climate.’ So you get a huge variation around the world of what people judge to be dangerous and what they will accept.

This two-degree guardrail you may have heard a lot about is really a combination scientific-political-social judgment and not based only on hard scientific facts; let us make that clear. Once you accept something like two degrees, then you work backwards and say, ‘All right, if we want, say, a 75 per cent probability of not going over the two degrees, what should the parts per million of CO<sub>2</sub> and other gases be in the atmosphere?’ That is how the science works. Then the science comes back into play and tells you whether you want 1.5 or two or three. Whether it is 350, 440, 500 or what have you, there are still uncertainty bars around them. So that is basically the train of argument that we make in saying what should be the equilibrium level of carbon dioxide and other gases in the atmosphere. Ultimately, it is a political judgment, a societal judgment, informed strongly by the science.

**Mr Carruthers**—There is just one dimension that I would add to that which is particular to the climate change issue and different from, I think, many other environmental issues that we are used to dealing with. Rather serious environmental issues have been confronted in Australia and, indeed, elsewhere. Look, say, at air quality in Sydney during the 1970s. It was a mess and it matched Los Angeles. But we fixed it pretty quickly. We brought in regulations on motor vehicle emissions, and more or less overnight we turned that around so that Sydney

today, even though a much larger city, has pretty good air quality. So we understand that relationship where, in those sorts of situations, you decide there is a problem, you act and, reasonably, you can fix it and produce an acceptable situation.

In the case of climate change, what has been happening is that, for example, carbon dioxide levels have gone up from the historical level of 280 parts per million—going back many thousands of years—to where they are today at 380 parts per million. Virtually all of that has been driven by our rapid expansion in the use or combustion of fossil fuels essentially since the Second World War—essentially during the lifetime of the people in this room.

**Senator LUDLAM**—or some of us.

**Mr Carruthers**—Of course, with economic growth worldwide continuing—

**Senator Wong**—Just keep going and ignore the comment.

**Mr Carruthers**—unless there is action to reduce emissions, that will continue increase. Now the big difference here with climate change is that carbon dioxide and these other greenhouse gases are very long lived in the atmosphere. For carbon dioxide, it is about a century. So, once you have put them up there, they will continue having an effect. It is not like the Sydney airshed, where you can clean up over a few years. You are stuck with it. You are stuck with those gases up there for a century and they will continue to warm and, basically, drive change in the climate system.

In the case of, say, the impact of sea-level rise, the sea-level rise will respond continuously and slowly over a period of centuries. Once you bring the greenhouse gases in the atmosphere to an equilibrium point, the oceans will not stay still; they will continue to warm and expand for centuries. So, essentially, we are locking in a long-term problem for future generations, unless we can ameliorate this by reducing global emissions—and that is really where effective international action and national action come into play.

**Senator LUDLAM**—Chair, I could carry on for quite a while on the science, but I want to put some questions back to the department on policy more strictly. I just want to check on the clock and make sure that I am not running it down too much.

**Senator Wong**—And I have a procedural matter that I want to raise.

**CHAIR**—I do not think there are any more questions for Professor Steffen and Mr Carruthers.

**Senator LUDLAM**—I have plenty. I am just making sure that we have the time to—

**Senator Wong**—I am going to request something, Senator.

**Senator LUDLAM**—Go on.

**Senator Wong**—Professor Steffen works at the ANU and he is an adviser to the government on climate science. I would be most grateful if we could complete questions to him so that he does not have to hang around, much as I am sure he is enjoying it. I think the enjoyment might dissipate as we get close to 11 pm. As a matter of courtesy to him, if the committee could facilitate questions to him being finalised, I would appreciate that.

**Senator LUDLAM**—In that case, I have one more. Then I will come back to the policy matters.

**Senator BIRMINGHAM**—I will just check whether anybody wants to—

**Senator Wong**—ask about Ian Plimer.

**CHAIR**—Thank you. Senator Ludlam.

**Senator LUDLAM**—We could carry on talking about Ian Plimer—I have several questions about that too—but I want to ask—

**CHAIR**—Questions have been asked.

**Senator LUDLAM**—Yes, I understand; I am sorry that I missed those. I want to ask about the two-degree guardrail: I know that is not an exact figure or an exact science.

**Prof. Steffen**—Yes.

**Senator LUDLAM**—If we want to stay below that threshold, what is the total CO2 budget for the 21st century and how much of that has been spent by us by 2010?

**Prof. Steffen**—I think the way you have framed that question is very interesting because scientists are now moving away from the targets and timetables approach—

**Senator LUDLAM**—I thought I told you I was not a scientist.

**Prof. Steffen**—to a so-called accumulative emission or budget approach, which is much simpler to understand. So let us just work backwards and say that we want to stay within the two-degree guardrail. That means that, effectively, we need to get emissions to zero or very close to zero by 2050. So the way to look at it is to take a budget from the year 2000 to 2050—a 50-year budget—and that roughly is a trillion tonnes of CO2. That gives you about a two-thirds probability that you could stay within the two-degree target. That takes care of the scientific uncertainties. So you say, ‘All right; that’s pretty easy to understand.’ Then you can track year by year how humanity is actually progressing. The interesting thing is that we are nine-plus years into that 50-year period—because it is 2010 now—and so we can see how we are tracking. We have emitted more than 350 billion tonnes of carbon dioxide, so we have consumed over 35 per cent of the total budget in nine-plus years. So that gives you, from a scientific point of view, a sense of urgency for what really needs to be done, if we are to avoid the sorts of things that Mr Carruthers was talking about—these long-term and essentially irreversible changes. So, to put it quite simply, we have consumed over 35 per cent of our allowable budget, if you want to stay within the two-degree guardrail. That is a global figure and it does not differentiate between countries; it is all 6.8 billion of us around the planet. That means that we have about 650 billion tonnes left that we can consume between now and 2050.

**Senator LUDLAM**—By ‘we’ you mean humanity collectively.

**Prof. Steffen**—Yes.

**Senator LUDLAM**—Has somebody done the numbers on what Australia’s budget would be per capita?

**Prof. Steffen**—That is a deeply complex question that was debated strongly at Copenhagen and it has to do with the equity issues. I am not going to stray very far at all into that—because that really is a political issue—other than to say that the climate system does not respect where the CO2 comes from. The climate system belongs to all 6.8 billion of us, but

how we allocate those emission rights is a hugely complex issue. Again, science can inform, but there are some very difficult political judgments as to how much you weigh past emissions—in which case we, the US and so on are big culprits—or how much you look towards the future, in which case China, India and others are rapidly becoming very, very big emitters indeed. So these are very difficult, thorny questions that need to be thrashed out carefully.

**Senator LUDLAM**—As I say, I have many more questions that I could ask, but I will leave it there.

**Senator ABETZ**—If this was covered while I was out of the room, my apologies, but I want to talk about the Icelandic volcano.

**Prof. Steffen**—Yes.

**Senator ABETZ**—What has that done to the equation or thinking on this issue?

**Prof. Steffen**—It has done very little at all because, in the scheme of things, it is a relatively small volcano. It has wreaked havoc with air traffic, of course. The best recent one that I could give you—

**Senator ABETZ**—So it might have been good for the world.

**Prof. Steffen**—I was stopped for five days and in a way I thought it was good because I got a chance to get a lot more work done than I would have, had I come back earlier. But, anyway, Pinatubo in 1992 is a good example of what a volcano does, and that cooled the climate for a couple of years noticeably afterwards. It did that by injecting a large number of particles into the stratosphere. This, by the way, is the scientific basis for some of the geo-engineering proposals, as you may have heard, for radiation control or whatever. Of course, volcanos are a natural part of the climate system. They do cool the climate, but they do so over short periods of time. The material then rains out within two or three years and you are back to the underlying trend.

**Senator ABETZ**—Excuse me if I am wrong. That is the physical material, but what about the gases that are emitted: do they fall as well or do they just stay in the atmosphere?

**Prof. Steffen**—It depends on what gas they are. If it is CO<sub>2</sub>, it would be—

**Senator ABETZ**—Excuse my ignorance on this. Every volcano emits, what, a different mixture of gases?

**Prof. Steffen**—Yes. It emits a large amount of sulfur gases, nitrogen gases and carbon gases—carbon monoxide and carbon dioxide. Whether we or a volcano emits them, they behave in the same way.

**Senator ABETZ**—That is what I was thinking.

**Prof. Steffen**—The CO<sub>2</sub> emission by volcanos is tiny compared to the human emission. You cannot even see the impact, say, of Pinatubo on the annual growth rate of CO<sub>2</sub> compared to the fossil fuel emission; it is very small.

**Senator ABETZ**—And the Icelandic one that is, I think, going as we speak?

**Prof. Steffen**—Yes; it is even smaller.

**Senator ABETZ**—You gave—I will use a neutral term—an ‘assessment’ of Professor Plimer’s work.

**Prof. Steffen**—Yes.

**Senator ABETZ**—Would you care to offer an assessment of Professor Garth Paltridge’s work and Professor Bob Carter’s work, in the event that you have also—and I assume that you have—acquainted yourself with them?

**Prof. Steffen**—Yes. I think there is actually a difference there. Professor Carter pretty much falls into the same category as Professor Plimer. They are geologists. They do not have a good grip at all on the climate system, particularly in the time frame of centuries that we are talking about. It is a much too short a time frame for their areas of expertise.

Professor Paltridge is an expert on aspects of the climate system and he puts forward arguments very similar to those of Professor Lindzen in the US. Their basic arguments are for very small feedback effects from the initial effect of carbon dioxide. Those opinions are put in the relevant peer reviewed scientific literature, as they ought to be. The evidence to date, however, goes strongly against their hypothesis of a small feedback. The overwhelming evidence—well over 90 per cent—is for, I would say, a medium-range feedback leading to about a three-degree climate sensitivity.

So I think the evidence for the extreme climate sensitivities is not very large, nor is the evidence for theirs. Most of theirs has to do with cloud processes. We are still doing some more research on cloud processes. We know a lot more than we did 10 years ago, when Professor Lindzen and Professor Paltridge put their views forward, and the evidence does not seem to support their views. So I would make a strong differentiation between Paltridge and Lindzen versus people who are outside the field.

**Senator ABETZ**—I personally know Professor Paltridge, so that is nice to know. Last time you were here, I think you indicated that there was only one error, and that was in relation to the glaciers.

**Prof. Steffen**—Yes.

**Senator ABETZ**—You were very confident—I do not want to put words into your mouth—that that was the only error. Now we have two errors—

**Prof. Steffen**—Yes.

**Senator ABETZ**—and, given all the human input into these reports, it would be surprisingly strange if there were not other aspects of human error.

**Prof. Steffen**—Yes.

**Senator ABETZ**—We can go into conspiracy theories or not—and I do not want to go there at all—just countenancing the possibility that well-intentioned human beings may unfortunately, from time to time, make errors.

**Prof. Steffen**—Indeed; that is a good point. Just a point of clarification: you are right about the comment I made about one error. The second error, in fact, I referred to here. It depends on how you interpret that error, which goes to how much of the Netherlands is under sea level. In fact, the author said, ‘Well, it really is not an error, because it was the information we

got directly from the Netherlands government and then the Netherlands government has accused us of making an error.' So take that as you will.

**Senator ABETZ**—Look, from my point of view, it does not matter whether it was the Netherlands government who made the error or somebody calculating on something. Somewhere, somehow, an error slipped in.

**Prof. Steffen**—Yes, I agree. So the second part of your question is obviously the more substantive one: will we find more? It is possible. I would say two things. The process that Mr Carruthers outlined is exceptionally thorough. I have been through it myself; I have been an author on two reports. The scrutiny that you get up-front with those two review processes is pretty intense. That weeds out, I would say, virtually all of the errors—maybe not all of them but virtually all of them; it is very intense. Secondly, since the climate issue has become such a politically intense issue in many parts of the world, there has been very significant scrutiny post facto of the IPCC reports and, to date, those one or two that we have found are the only ones that have been found. There may be more; but I can guarantee you that Working Group 1 has been very intensively scrutinised by sceptics and others and so on and we have not found any mistakes there yet. So I am pretty confident that the overall thrust of that science is very secure indeed.

**Mr Carruthers**—Perhaps I could add to that. When we speak of errors, I think it is quite important to distinguish what we would regard as material errors. We are talking here really about errors on points of detail in a report that covers many, many aspects of climate change. So, in using the term 'errors', I think we should carefully understand that this in no way invalidates the fundamental conclusions of that IPCC report.

**Senator ABETZ**—Professor Steffen, I suppose you would agree with me that all scientists, if they are true to their creed, are in fact sceptics, and that is how they approach all their matters of endeavour and pursuit?

**Prof. Steffen**—Indeed. We have a very thorough internal review system within fields of system—the peer review system—which operates in exactly that way. When I get a paper to review, the glasses I put on are very sceptical ones to say, 'Let's really scrutinise these papers carefully.' When I submit a paper, it gets the same treatment.

**Senator ABETZ**—That was just a little pick-up on Senator Wortley's question. I think she was asking about sceptical scientists or something like that, and I just wanted to have acknowledged, as I think most scientists do acknowledge, that part and parcel of their trade is to be sceptical.

**Prof. Steffen**—Yes.

**Senator ABETZ**—Thank you very much.

**CHAIR**—Thank you very much, Professor Steffen and Mr Carruthers, for appearing before us.

**Prof. Steffen**—And thank you, Senators.

**CHAIR**—We are still in general questions of the department. Are there any further general questions?

**Senator Wong**—Chair, I think the secretary has passed this on, but I would just place this on the record: perhaps we could get some sense at some point of which outcomes will be required until late and which might be able to be dealt with. We seem to have stayed in general questions for quite a long time. That is fine, but it does mean that everybody has to stay for the whole time. If we are ever able to move to an outcome, I would certainly be grateful, and perhaps we could have a discussion about which ones could be facilitated. I just raise that for the consideration of committee members.

**Senator ABETZ**—Secretary, thank you for your opening statement; I was not there for it, but I have had the opportunity of reading it. The pages are not numbered, but perhaps I can take you to—

**Dr Parkinson**—I am sorry; I actually handed over my copy to the committee. If I could have a copy, it would be helpful.

**Senator ABETZ**—Yes, of course.

**Dr Parkinson**—Thank you. I apologise on the pagination.

**Senator ABETZ**—No, no. On the second page, last paragraph, five lines down, we are told that the Home Insulation Safety Program will inspect houses to detect and ‘rectify any serious safety hazards’. Does that suggest that, even after the Home Insulation Safety Program has done its work, some houses will be left more hazardous than before they were subjected to Labor’s Home Insulation Program?

**Dr Parkinson**—Mr Bowles will take that question.

**Mr Bowles**—If I understand the question correctly, the answer is no. This program is about safety hazards and—

**Senator ABETZ**—In that case, why was the word ‘serious’ included instead of just using the words ‘rectify any safety hazards’? You have included a very important word in there in that you are rectifying any ‘serious’ safety hazards. That suggests that not all the safety hazards are going to be addressed. I just want that clarified.

**Dr Parkinson**—Perhaps I should have elaborated further, but the initial inspection process will rectify minor safety issues. Then, if there are serious issues, they will be dealt with in a specific effort to address that issue. So the inspectors themselves will fix up the small things as they go through the process.

**Senator ABETZ**—Would you please say that again? I think I may have misheard you. Did you say ‘minor safety issues at first’, or not?

**Dr Parkinson**—When inspectors go in, they can deal with any relatively minor issues on the spot. If there are major issues that require additional support they will also be dealt with, but not necessarily at that time—it might depend on what is required.

**Senator ABETZ**—Yes, I understand that. So you are saying that after this safety program has done its work, all safety hazards that have originated as a result of the Home Insulation Program will have been removed?

**Mr Bowles**—The intent of the program is to identify safety hazards and correct them.

**Senator ABETZ**—All safety hazards caused by the Home Insulation Program?



**Mr Bowles**—Caused by the Home Insulation Program. The intent of the program is to identify safety hazards that are out there and, as we identify those, we will correct them.

**Senator ABETZ**—Will you be consulting with those who might actually know something about this, such as the master electricians or whatever they might be called—the top electrical professional body or bodies—in relation to this?

**Mr Bowles**—Yes.

**Senator ABETZ**—As I understand it, it may well require the removal of virtually every single staple that was used in a roof cavity to hold down the foil because, if the foil is simply ripped out, there may still be the odd staple that is touching an electric wire and everything is safe until somebody touches it.

**Mr Bowles**—Are you talking specifically about the foil homes now?

**Senator ABETZ**—On this one I am, yes.

**Mr Bowles**—Yes. So, in relation to foil homes, we are going to remove the foil or put safety switches into the houses on the advice of an electrician. As I think I said to the inquiry earlier on, there is a difference of opinion across some of the electrical bodies around this issue; however, we will take the advice of the Queensland safety organisation and we will take the advice of electricians, and decisions will be made by homeowners based on that advice. In relation to staples, I am advised from some of the safety bodies that when an electrician goes in to do work it is their job to actually find those staples. It has been said that, yes, there may be hundreds of thousands—or whatever—of staples. Overwhelmingly, these go into the timber trusses and not into the electrical cables. But, obviously, part of the job of an electrician looking at these things is to look for those faults.

**CHAIR**—Senator Abetz, I think we have strayed into program 1.2. We are supposed to be doing general questions of the department.

**Senator ABETZ**—Yes, we have. I fully agree.

**CHAIR**—I am conscious that Senator Ludlam has general questions.

**Senator ABETZ**—Can I move to page 3 of the opening statement? We were given a figure of 54,000 safety inspections completed and booked to date. Can we just have a split-up of that figure?

**Senator Wong**—While the officials are getting that information, I would put my request once again. We are very happy to answer these questions, even though they are clearly program 1.2 questions; these are not general questions of the department. In terms of the efficiency of staff being here, I would very much appreciate it if we could sequence through this logically. If you wish to move to 1.2, I will get officials from 1.2 in, in addition to Mr Bowles, and we can deal with those matters.

**Senator ABETZ**—Do you have the numbers readily available or not?

**Mr Bowles**—I can answer the question, but we are straying into 1.2.

**CHAIR**—And then we will go back to general questions.

**Senator ABETZ**—Yes. I am working my way through quickly to see what other matters need to be raised under the other headings, that is all.

**CHAIR**—I am conscious though that we have other senators wanting to ask questions about 1.2 who are not here, Senator Abetz. We will alert them when we get there, but I would like to finish with general questions. Do you have any general questions?

**Senator ABETZ**—Can we have a quick answer to that or not—Mr Bowles; do you have that?

**CHAIR**—As long as you do not have a follow-up question.

**Senator ABETZ**—No.

**Mr Bowles**—In the non-foil homes we have inspected a little over 30,000; and in the foil homes we have inspected a little over 23,000. Together that makes the 54,000.

**CHAIR**—Now, do you have questions that properly fall under general questions of the department, please?

**Senator ABETZ**—Development of a fraud prevention framework: is that 1.2?

**CHAIR**—Yes.

**Senator Wong**—Yes.

**Senator ABETZ**—So this fraud prevention is going to cover all aspects. I think Senator Birmingham may have asked this but, in the secretary's opening statement at page 4, in the second to last paragraph, there is the statement 'the need to redeploy a number of staff previously working on CPRS implementation'. Do we have a figure?

**Senator Wong**—We have gone through that in some detail.

**Senator ABETZ**—If we have, what is the figure? Just quickly remind me of it, if we have it.

**Dr Parkinson**—Mr Leeper will take that.

**Mr Leeper**—As a result of the decision not to proceed with the CPRS implementation and, therefore, to defer commencement of ACCRA, a number of staff were listed as potentially able to be redeployed in the department, and 51 ongoing staff are subject to redeployment processes.

**Senator ABETZ**—So 51 is the number.

**Mr Leeper**—It is 51 at the present time, yes.

**Senator BIRMINGHAM**—I will just follow up on the issue of staff numbers; I have one question unasked as to time. Between February, when we met and spoke about some of the employment and recruitment strategies of the department, and the Prime Minister's announcement on 27 April or thereabouts, how many additional staff were employed in relation to the ETS implementation division or related divisions?

**Mr Leeper**—When I spoke to you in February, I indicated that there were 154 staff in ACCRA; the equivalent figure as at 28 April was 172. So the figure I gave in February was the ongoing staff—154; that had risen to 172 as at April 28.

**Senator BIRMINGHAM**—So that is 154 to 172. Thank you very much. Have any of those individuals who have already redeployed left?

**Mr Leeper**—Of those 172, five have left the organisation; 116 have been placed with their ongoing functions into other parts of department; and, as I indicated, 51 are subject to redeployment. So that is the attribution of the figures.

**Senator BIRMINGHAM**—Regarding those extra 18, are you able to provide us—if not now then on notice—with what band levels they were at, please?

**Mr Leeper**—I would have to take that on notice.

**Senator BIRMINGHAM**—Thank you.

**Senator ABETZ**—Secretary, I am sure that you have seen the article in today's *Financial Review*.

**Dr Parkinson**—I made a comment this morning to Senator Birmingham that I actually have not seen any of today's papers.

**Senator ABETZ**—You have not? I think, in any event, you have indicated the reason that we have not proceeded with a CPRS is this nasty, nasty Senate but also what has occurred in Copenhagen or in the international scene; is that correct?

**Dr Parkinson**—In the sense that that has influenced perceptions of global action, absolutely.

**Senator ABETZ**—And, as I understood, the government's announcement that Copenhagen was part of it. The suggestion in this story that possibly is unfair to you is that you cited only a hostile Senate.

**Senator Wong**—Senator Fisher asked quite a number of questions about this, including going through Dr Parkinson's speech.

**Senator ABETZ**—All right. Thank you for that.

**Senator Wong**—We are very happy to traverse it again, if you wish.

**Senator ABETZ**—No. There is no need for that, if it has been traversed already. I assume that that report is incorrect.

**Dr Parkinson**—The report is fairly lengthy, but both issues were discussed in my speech. I separated the discussion around international issues from domestic issues.

**Senator ABETZ**—Thank you. Talking of media, Minister, have you been made aware of an article in the *Australian* on 18 March this year in which Britain's advertising watchdog banned two government advertisements for overstating the threat from climate change? One of the matters that were seen as being over the top was that 'extreme weather conditions, such as flooding, heatwaves and storms, will become more frequent and intense'. This was an ad commissioned by the UK Department of Energy and Climate Change. It just sounded very familiar to an answer that the Prime Minister gave in question time earlier this year, when—I think it was—Adelaide suffered a heatwave. So I am just wondering whether the department is aware of the need to have appropriately moderated information campaigns and, most

importantly—of course, to you, Minister—the need to have appropriately moderated information campaigns.

**Senator Wong**—I do not know if Mr Carruthers wants to add anything, but I was aware of that article. It was some time ago now, and I might come back to the committee with some more information about it. But I think the government, unlike some, has a very clear view about what the state of the science is. I think Professor Steffen outlined very clearly to this committee not long ago some of the evidence and refuted quite cogently some of the counterarguments. We also have two very well-known institutions in Australia, the CSIRO and the Bureau of Meteorology, having produced a snapshot of Australia's climate over the past 100 years—that was released since the last estimates, from recollection—which stated that climate change is real. It pointed out that the record shows that Australia has experienced warming over the last 50 years and that there was a greater than 90 per cent certainty that emissions have caused most of the global warming since the mid-20th century. We know that—Mr Carruthers might correct me if I am wrong—the rate of warming, every decade since the middle of last century, has been warmer than the previous—

**Mr Carruthers**—Yes.

**Senator Wong**—and there has been an increase in the rate of warming. We know that 2009 was the second hottest year, I think, in Australia's history and it ended our hottest decade. We do know that there are a range of different risk scenarios around sea-level rise. I think Professor Steffen, in fact, alluded to that—that there are a number of uncertainties which impact upon the extent of sea-level rise, and those uncertainties are reflected in some of the ranges that our scientists provide us with. Also, there have been a range of scientific reports in relation to the increased frequency or 'increased intensity'—I think is probably more accurate—of storms. In fact, Professor Steffen, himself, authored a report which I released—I think it might have been last year—which looked at the possible increase of storm events and their impact on storm surge and, therefore, coastal vulnerability. I will see if I can obtain a little more detail in relation to the UK experience. But the government does not doubt the advice of Australia's climate scientists and the world's climate scientists.

**Senator ABETZ**—Thank you for all, but that answer does not give me confidence that the government has taken to heart the need to moderate any information campaign to ensure that it does not overstep the mark, as it did in the United Kingdom. So I cannot take that any further, other than to invite the government to ensure that any information campaign that it does run falls within the parameters suggested by the UK watchdog.

**Senator Wong**—Senator, thank you for that advice. But I would suggest that, if there is any moderating of opinion or language, it might be people who think that climate change is absolute 'crap'. It might be people who assert—

**Senator ABETZ**—Assuming it would be taxpayers' dollars to fund a campaign to say that, then that will not be fair enough.

**Senator Wong**—There might be people who go into schools and tell people that things were warmer at the time of Julius Caesar. I would suggest those possibly are the messages that might be moderated, given that they are not supported by the world's, including

Australia's, climate scientists—and this is from a man who professes to aspire to being the alternative Prime Minister.

**Senator ABETZ**—He does not aspire to be the alternative Prime Minister; he is the alternative Prime Minister.

**Senator Wong**—I suppose that is so, yes.

**Senator ABETZ**—He aspires to be Prime Minister, Minister.

**Senator Wong**—Yes.

**Senator ABETZ**—I would invite you to consider your expenditure of Australian taxpayers' dollars in relation to campaigns. There is a big question as to whether and how the money is spent; but, if a campaign is to be undertaken, I would invite you to consider that it is appropriately moderated so that it does not run foul, as the UK campaign did. That is all that I am seeking to put to you. The very robust nature in which you responded, I must say, does not indicate to me that we will necessarily receive such a moderate campaign. But let us wait and see; we can always live in hope.

**Senator Wong**—I am going to respond to that. The robust nature in which I responded probably reflects the fact that I think it is unbelievably hypocritical for a politician to urge moderation, when his party tells people things like it was warmer at the time of Julius Caesar and, contrary to the advice of Australia's foremost climate scientists, tries to put forward a view that says climate change is not real. I think that is irresponsible, Senator. And to be urged by you, as one of the people who holds such views and has previously said that weeds are a greater threat to this nation than climate change—

**Senator ABETZ**—I did not say that.

**Senator Wong**—to moderate one's language, I have to say, is a little difficult to take. But I will certainly come back to—

**Senator ABETZ**—And this is from a government that said climate change is the greatest moral challenge of our time and then quickly put it in its back pocket, when its focus groups told it that it was not politically wise. Do not give me a lecture, Minister.

**Senator Wong**—You voted it down.

**Senator ABETZ**—You guys have egg all over your face on your backflip, a backflip that you were not even told about, until a few moments before the Prime Minister announced it and without your being present—and you know it.

**Senator Wong**—That is actually not correct.

**Senator ABETZ**—That is why you are so sensitive—and the department knows it as well.

**Senator Wong**—That is not correct.

**CHAIR**—Order! Minister.

**Senator ABETZ**—Then tell us when you found out.

**CHAIR**—Senator Abetz.

**Senator ABETZ**—I shall return.

**Senator Wong**—I am pleased to see that Senator Abetz is leaving the room because it might improve the quality of the debate.

**CHAIR**—Are there any further general questions of the department?

**Senator LUDLAM**—I hope so. Perhaps I can float some topics by you and you can tell me whether I had better address them somewhere else. I have questions that go to new coal-fired power stations in Australia—and some of this I will take to Treasury, when they are up. But am I able to direct questions to you about future coal-fired power stations in Australia and what that does to our assumptions about our emissions profile?

**Senator Wong**—That probably should have occurred in 1.1 and we have sent them away. We will see perhaps if we can assist. Is it projected numbers and that sort of thing?

**Senator LUDLAM**—I have a projected number; I want to bounce some ideas off you about what it actually means. The projected number is 12. If I have missed the moment, it is probably because—as you can tell—I have been juggling committees.

**Senator Wong**—Yes.

**Senator LUDLAM**—Then you can refer me to whoever—

**Senator Wong**—Can I suggest: why don't you ask the questions? If we can assist you, we will. If we cannot, we will take them on notice or suggest that you put them on notice with another portfolio.

**Senator LUDLAM**—Thank you. Land use change and forestry and sequestration and so on: can we try that on here or is there another place for that?

**Dr Parkinson**—That would be, again, a combination of 1.1 and 1.3. Mr Carruthers is here so, if you would like—

**Senator LUDLAM**—Yes, okay. To be honest, it is the coal stuff that I am probably most interested in in this bracket and, in that case, we will come back to some of the other stuff later. There are proposals, I think at the last count, for 12 new coal-fired power stations around Australia. My first question is: with the CPRS, once trading had started, you would assume that we would kick off with a carbon price of around \$20 a tonne; is that more or less correct?

**Senator Wong**—Is this post the first fixed price here?

**Senator LUDLAM**—Okay, for that period—and thereafter it floats?

**Senator Wong**—Yes. We had a first-year fixed price of \$10 and then post the first year—

**Senator LUDLAM**—Once trading kicks off properly.

**Senator Wong**—the carbon price will be most driven by whatever the target would be.

**Senator LUDLAM**—Whatever the target would have been. Is \$20 a reasonable guess?

**Mr Comley**—In the Treasury modelling, as the minister said, it depends on the mitigation scenario. For the minus five per cent scenario—

**Senator LUDLAM**—Start there.

**Mr Comley**—from memory, the latest estimate of the first flexible price year was around \$26 a tonne in the first year. Then it increases by around four per cent real for the rest price trajectory.

**Senator LUDLAM**—Without going down to a plant by plant breakdown, the assumption really is that \$20 or \$26 is enough to start pricing coal out of the market and some of our stationary energy would go across to gas.

**Mr Comley**—It is probably worth mentioning two things. The modelling takes account of the renewable energy target as well. So, because you have the renewable energy target ramping up over the period, as we discussed earlier, it is the combination of the renewable energy target and the carbon price which is driving that switch out of coal.

**Senator LUDLAM**—But, at least unfortunately in the short term, with the mix between gas and coal, you would be hoping that we would start to price some of the gas generators in.

**Mr Comley**—Treasury's model indicated that you would get a switch into gas, and my recollection is that there is no new coal-fired power generation until such time as CCS is available in the Treasury modelling.

**Senator LUDLAM**—You have not visited WA lately, have you? There are proposals for, I think, up to six coal-fired power stations—four to six. So the number I have is 12, but I want to come to those in a moment.

**Senator Wong**—This was assuming that we had a CPRS and a carbon price.

**Senator LUDLAM**—No. That is completely irrelevant to the question; sorry.

**Senator Wong**—No. It is exactly relevant because, as Dr Parkinson said, people make investment decisions based on where policy is—

**Senator LUDLAM**—Sorry to cut you off, Minister, but all 12 of the power stations that I am referring to were on the books under active consideration well before you dropped your CPRS.

**Senator Wong**—‘Active consideration’—before you voted it down.

**Senator LUDLAM**—There has been no change in the number, let me put it that way. That number has not doubled since you dropped the CPRS. I am not trying to score a point off you here. All of those proposals are moving ahead with or without your CPRS?

**Senator Wong**—I do not think that is right.

**Senator LUDLAM**—If you have an alternative number I would be delighted to hear it.

**Dr Parkinson**—Since 2002 there have been only two coal-fired power stations constructed in Australia. At the moment there are a number that, as you say, have been on the drawing board. We are not aware that any of them as yet have full environmental planning approvals. There are a range of those projects which could conceivably go ahead in the next period. You are right that a number of those are listed in Western Australia, but we do not have 12. I think we have about five or six. Offsetting that there are at least a couple that are proposed to close down. Of that five or six, a number of them are actually upgrades to existing stations, so they are not actually new stations. There are really only two new conventional generators that, as I understand it, are under serious consideration. There are a number of upgrades to improve

efficiency. There is one which has full planning approval which is small but is being brought back into service to be used for a CCS trial demonstration project.

**Senator LUDLAM**—I do not want to get hung up on the definition of what is proposed and maybe that is what is happening here. Are you able to table the chart or graph, the reference that you are reading from?

**Dr Parkinson**—I will table the names.

**Senator LUDLAM**—You have obviously got something there that is telling you what stage each of those proposals is up to. I do not want to get hung up on the number. Twelve is the number I have, but I suspect it depends on your definition of what constitutes a proposal. But there are estimations that if the combined emissions of all 12 of those got up it would be about 39 million tonnes per annum. My question is twofold. There are substantial gas price increases expected in the pipeline. Have you done any modelling or can you point me to anything that you or Treasury have done on this? In an environment where the trading price is around \$20 a tonne, if gas is becoming that much more expensive might we not simply price coal right back in again?

**Dr Parkinson**—The pricing of coal right back in or the pricing of coal out over time would be one of the consequences of having the CPRS in place. The situation that we confront at the moment, though, is that the Treasury modelling took into account rising gas prices, construction costs and the like. Perhaps the best place to start in terms of understanding the way in which changing gas prices and the like influence the demand is Australia's low emissions future, low-pollution future. But I just go back to the point that the absence of a carbon price is a critical issue in changing or not changing the balance of attractiveness between investing in coal versus gas versus anything else. The other thing to note, though, is that these power stations will live 30, 40, 50 years. It would be a brave investor who decided to invest in a new coal-fired power station today in the expectation that there would not be a carbon price over that time.

**Senator LUDLAM**—I think we need you to spend a bit more time on this in Australia. I do not want to go into the substance of the negotiations at all, but Minister Wong and Greens senator Christine Milne have been discussing the proposition of a fixed carbon price—I do not know whether it is strictly correct to call it a carbon tax—into the system while the negotiations and debates over the CPRS are ongoing. Have you been tasked to undertake any modelling of what just having a fixed price rather than trading, the model that the Australian Greens have put to the minister, would look like?

**Mr Comley**—It does come back to earlier in the question to what you mean by 'modelling'. We have not commissioned additional modelling. But one of the reasons that you, in a sense, do not need to do that is that the way, for example, the models that were used for *Australia's low pollution future* are constructed, they will essentially model a fixed price the same way they will model a flexible price, because in practice those models do not really distinguish between the two, because the principal difference between those two is uncertainty and the modelling of *Australia's low pollution future* does not deal with uncertainty. The modelling from *Australia's low pollution future* tells you all the economic impacts you need to know about both the carbon tax and the emissions trading scheme. We have obviously done



analysis of the qualitative differences, but we have not done any modelling, because the modelling of that type would not show any difference.

**Senator LUDLAM**—That is a helpful distinction, thank you. In that answer you have done an analysis rather than modelling of the alternative proposition that has been put to the government by the Australian Greens? You have done some thinking about what that would look like?

**Mr Comley**—We have provided some advice.

**Senator LUDLAM**—When was that?

**Mr Comley**—I would have to take that on notice.

**Senator LUDLAM**—Because you do not know or you are not sure if you are allowed to tell me?

**Mr Comley**—I do not know. These proposals have been around for some time, so we may have provided a range of analyses and advice at different times. I do not know off the top of my head exactly when that was done.

**Senator LUDLAM**—I am hoping that is not rocket science. Maybe somebody is able to look that up for us, just as to the scope and the quantity of the work that you were asked to provide?

**Senator Wong**—That goes to advice to government.

**Senator LUDLAM**—I am not asking for the advice.

**Senator Wong**—You just said the scope. That goes to advice to government. We will take the question on notice but I am just—

**Senator LUDLAM**—That will not disappear never to be heard from again. At least get back to me on timing. I am not asking for the advice itself.

**Senator Wong**—We will take the question on notice.

**Senator LUDLAM**—To come back to the modelling in *Australia's low pollution future*, that does not show any increase in emissions from coal-fired power stations, so—

**Dr Parkinson**—That is because we do not think there will be any.

**Senator LUDLAM**—Really?

**Senator Wong**—*Low pollution future* assumed CPRS and the view that—

**Senator LUDLAM**—I take the secretary's point of view that these are 40- or 50-year investment decisions that are not going to turn on whether there is a two- or three-year delay in some form of carbon price.

**Senator Wong**—You are jumping from one thing to another. Dr Parkinson really wants to answer the question. You are asking a question about modelling which assumed the introduction of a carbon price for the CPRS and then extrapolating to now?

**Senator LUDLAM**—Is it your view—

**Senator Wong**—If you can hold that thought I think Dr Parkinson has an answer.

**Dr Parkinson**—You are right; for a rational investor and a two- to three-year delay, if they are looking at investing an asset that is going to operate for 40 to 50 years, they are going to factor a carbon price into their decision—the likely carbon price over the life of the asset. As long as they have confidence that the carbon price was going to come in, they would take that into account. In *Australia's low pollution future* Treasury has modelled a carbon price which starts at \$26 and rises over time, and in that world there is no incentive to build new coal-fired power stations.

To come back to the issues I was talking about earlier, there are a range of proposals floating around in New South Wales and Western Australia and elsewhere, but there is a plant in Queensland being refurbished and returned to service to work in a CCS trial demonstration project with a three-year life. There are refurbishments approved in New South Wales and there are proposals for new conventional coal-fired power in WA. Our understanding of the WA situation, though, is that the Western Australia EPA is very attracted to try to find ways for those plants to be made CCS ready. That could well be part of their planning and development controls. But I do not have any more detail on that.

**Senator LUDLAM**—I presume you are referring to the Bluewaters plant, so perhaps from a Western Australian perspective. Are you telling us that in the CPRS world, which was what was modelled by Treasury for the *low pollution future*, none of the new plants such as Bluewaters would have been built—I mean CCS ready, to be ready for something that might never turn up?

**Dr Parkinson**—In terms of the modelling that was done on *Australia's low pollution future* there was no expectation that there would be significant new investment in coal-fired power stations until CCS was proved to be commercially viable. To come back to the situation we confront at the moment, in WA there is a clear shortage of gas. That has been quite apparent. It was made even more obvious with the gas explosion. In those circumstances you can see why the state government may be considering coal-fired power stations to deal with energy security issues, because we are told on a regular basis that there really will be no spare gas available in WA for a number of years. So, there is a constraint there that may not have been reflected in *Australia's low pollution future*, but we would need to talk to Treasury about that.

**Senator LUDLAM**—There is probably a limit as to how much detail we can go into. I want to make sure I am not misquoting you that, as far as you were concerned, based on the modelling that was done for you by Treasury, there is no place really for substantial new investment in coal under a CPRS as envisaged in that model?

**Dr Parkinson**—That is my recollection. I stand to be corrected. It did come out October 2008, so I am digging back 18 months. I could be wrong, but that is my recollection.

**Senator LUDLAM**—The graphs reflect that and I am trying to find out whether that was actually the thinking.

**Mr Comley**—As to the thinking, what the Treasury was essentially doing was capturing the costs of the various technologies and then saying: once you allow for a carbon price, what would a rational investor do? So, it was not an imposed assumption on the model. It was just that once you look at these various costs of technologies with the carbon price profile, what would a rational investor do? It was essentially saying that they would not find it a sensible

investment decision to invest in coal. Obviously an important part of that is that there is a fully credible carbon price; that they believe that both the carbon price will exist and it will be fully applied to them through that full transition. So, it is a result of the modelling rather than an imposed constraint.

**Senator LUDLAM**—Presumably that thinking will be borne out. As far as an investor is concerned, they do not care whether it is a slowly escalating tax or a more volatile or dynamic price?

**Mr Comley**—The reason I phrased the answer as I did is the question about a fully credible carbon price. If an investor, for whatever reason, does not believe the carbon price is going to rise in that way or they believe it will not be applied to them fully for some reason, that would influence their investment decision.

**Senator LUDLAM**—Can I take from that that the most intelligent thing to do in the short term would be to just get a price in the system while we have the two- or three-year debate, according to the government, over a CPRS and an eventual floating price?

**Mr Comley**—I think it comes back to Dr Parkinson's earlier answer. The key question is: what is people's expectation of the carbon price over a very long period? There will be different views about the best way of establishing credibility of that carbon price over time.

**Senator LUDLAM**—The main thing is to get one into the system. The main thing is to get a carbon price into the system.

**Senator Wong**—Yes, probably, which is why we would have wanted it voted on last year. But I have made the point that obviously one of the reasons that your party previously has opposed a carbon tax as opposed to an emissions trading scheme is that there is no certainty as to an environmental outcome with a carbon tax.

**Senator LUDLAM**—We put it up as an interim measure, as you well know. While the debate out to 2012 or 2013, however long it takes place, is to get a price into the system—and I have not heard anything inconsistent with that position in the last half hour.

**Senator Wong**—I will give you something inconsistent, which is there is no rational reason why that is any more likely to pass the parliament than the bill that was voted down by the crossbenchers and the opposition.

**Senator LUDLAM**—I beg to differ, but we are probably getting into the hypothetical.

**Senator Wong**—You believe Senator Fielding will have a change of heart?

**Senator LUDLAM**—We will see how much longer Senator Fielding is here. I wasn't going to go there, but we have gone there.

**Senator Wong**—Regardless of that, he is constitutionally here at least until the middle of next year.

**Senator LUDLAM**—As you have said, this is now a year or two old, but I trust the fundamentals are sound. Would a price of \$23—in the context of everything that we have discussed, with rising gas prices and so on—whether it was a floating price or whether it was escalating more smoothly, be enough to have that effect that you hypothesised before, where we would not get any substantial new coal into the system?

**Mr Comley**—If it was \$23 that did not rise then the answer is, no. \$23 is generally not considered large enough to switch, for example, from coal to gas. The point is whether it is \$23 that is rising over time, so the life of the asset is not worth while. All of the modelling in the *Australia's low pollution future* report had the price increasing in nominal terms by around 6½ per cent per year. Even with a \$26 price, by the time you get to 2020 you have got \$35-plus prices.

**Senator LUDLAM**—Is it possible to pick a threshold or is that too difficult? What is the tipping point?

**Mr Comley**—There are models that, for short periods of time, pick the price that switches it, and that differs a little bit depending on the particular fuel price assumptions. Again, you have to take the whole time period of the asset, or at least the first 10 to 20 years, to get that number.

**Senator Wong**—I would like to add one thing, given where your questions are going. Putting in place a carbon price, whether by an emissions trading scheme or by carbon tax, gives rise to the same policy issues around transitional assistance to industry. Just because somebody chooses a carbon tax does not mean the policy issues—regardless of which side you fall on in those debates—regarding the emissions-intensive trade-exposed sector and the existing coal fired power stations, do not arise. They still arise and still have to be dealt with by whatever means.

**Senator LUDLAM**—I acknowledge that. I should probably move on to some questions around land use change, forestry emissions, sequestration and so on. Does that require a different set of expertise?

**Senator BOSWELL**—I have a couple of questions to ask on this. I know that you gave me a fair run this morning.

**Senator LUDLAM**—I do not have anywhere near as much, so I would like to finish up.

**CHAIR**—Senator Ludlam has nearly finished, Senator Boswell, so just hang five.

**Senator LUDLAM**—The National Carbon Accounting System tracks emissions and sequestration. Can we use that system to track afforestation and reforestation projects and land clearing events? Is it that fine grained?

**Mr Carruthers**—Yes. The National Carbon Accounting System has been designed to do exactly that task to meet the Kyoto protocol carbon accounting requirements. For the purposes of indicating how we are tracking to meet our Kyoto target, each year we produce an account that shows the contribution of emissions and sinks connected with reforestation and with deforestation or land clearing. The way the National Carbon Accounting System does that is through satellite monitoring, at a very fine scale, across the continent with 25-metre by 25-metre analyses. It is a system that has been developed with major roles by research organisations such as CSIRO and the Australian National University, and I think it is probably fair to say that Australia is a world leader in its capacity to account for deforestation and reforestation on this basis.

**Senator LUDLAM**—It is 25-metre by 25-metre resolution. Is that enough to account farm by farm or hectare by hectare?

**Mr Carruthers**—Yes. Under the Kyoto protocol we are required to monitor these changes at subhectare level, so we absolutely achieve that.

**Senator LUDLAM**—To make this a bit more concrete: if a farmer clears an area of forest or woodland to establish grazing land, for example, you can estimate the emissions resulting from that action and, similarly, if regrowth activity occurs, either on a farm or elsewhere, you can also estimate the carbon impacts of that action?

**Mr Carruthers**—Yes. As soon as the event occurs, deforestation or reforestation, that brings that piece of land inside the accounting framework, for each year we track the forest cover status of that land, including any further re-clearing. We estimate the growth rates of the forest and through a set of integrated methods we are able to calculate with a high degree of accuracy the emissions and sinks that are occurring on that parcel of land in that year.

**Senator LUDLAM**—This is probably going to stray now from technology into policy. The government has been considering rewarding forest regrowth with tradeable certificates, and you have just told us the technology exists to account for that reasonably accurately. Was any consideration given to requiring the surrender of certificates for emissions due to land clearing to essentially balance the books?

**Mr Comley**—Yes. In fact, that issue was canvassed in the green paper in July 2008. Those policy issues were canvassed and submissions were taken in the process from the green paper from July 2008 through to the white paper in December 2008.

**Senator LUDLAM**—Did we see any policy outcomes as a result of that? What have we actually seen that would reflect those debates?

**Mr Comley**—The policy announcement that was made in the white paper in the context of the CPRS was that deforestation would not be included in the CPRS.

**Senator LUDLAM**—That is not because we cannot map it or model it?

**Mr Comley**—There were some concerns about the monitoring and enforceability of that, but also there was just a general policy consideration about how you would implement that in a smooth way.

**Senator LUDLAM**—It seems a bit asymmetrical to me that we would reward good behaviour but not penalise bad behaviour.

**Mr Comley**—The other point that was made in the white paper was that there was a range of restrictions on deforestation that already existed at the state level, and so in many respects there were already complementary measures in place that addressed a large part of the deforestation issues. In contrast, for reforestation, needed an incentive regime because the same incentives were not available more generally, ignoring measures that were transitional, such as the carbon sink forestry tax deduction.

**Senator LUDLAM**—In reality, is it technically possible to tax land-clearing emissions and provide rebates or a tax offset for sequestration? Is there anything stopping us from doing that?

**Mr Comley**—You are asking a question about what is technically possible. There are two issues. You can most things if you are prepared to put the right enforcement resources in, and

then the question is: are the policy benefits of that worthwhile, given the other interventions that you currently have in place? The judgement made in the white paper was that it was better to stay with the current regulatory measures rather than have that included as a liability stream under the CPRS.

**Senator LUDLAM**—I do not understand from a carbon accounting point of view why, if you plant a tree we will pay you, but if you cut a tree down then that is invisible to the accounting system.

**Senator Wong**—I know that is the position of your party and that you have a view about wanting to stop all deforestation.

**Senator LUDLAM**—At least account for it. I did not say stop it, but account for it.

**Senator Wong**—There is a difference between accounting and inclusion in the CPRS.

**Senator LUDLAM**—Having that signal visible economically—

**Senator Wong**—I said that there is a difference between accounting for it and creating a liability under the CPRS. They are two different policy issues and you are conflating them. The answer that has been given by Mr Comley is that the decision was made some time ago that existing regulatory mechanisms were in place that dealt with the issue of deforestation and land clearing. In fact, as you know, that has been one of the significant influences on Australia's emissions profile over the last decade or more.

**Senator LUDLAM**—So, a significant contributor? I missed the last bit of what you said.

**Senator Wong**—The fact of legislation regulating land clearing has been a significant contributor to Australia's emissions profile over the last decade or so.

**Senator LUDLAM**—That is the only thing that saved us from completely blowing out our Kyoto targets, because most other sectors of the economy experienced runaway growth during that time.

**Senator Wong**—Yes. The accounts I released today show a 43 per cent increase between 1990 and 2009, from memory, in the energy sector's emissions, which comes back to the proposition we started with, which is that you need a price on carbon to start to shift those sectors.

**Senator LUDLAM**—I will leave it there. Thanks for your time. I will come back in 1.4.

**CHAIR**—Senator Ludlam, please wait. I am about to make an announcement. We are still in general questions of the department, and it may come as a surprise to my colleagues but the committee has agreed to re-order the program for tonight. After the conclusion of general questions of the department, we will deal with 1.3: Adapting to Climate Change, then 1.4: Helping to Shape a Global Climate Change Solution, followed by 1.2: Improving Australia's Energy Efficiency. Given that we will probably go to a tea break with either general questions in 1.3 or 1.4, I suggest 1.2 officers can come back after dinner, which will be at 7 o'clock. That is your choice.

**Senator Wong**—There might be people in the other room that have just started to walk out.

**CHAIR**—We are still in general questions of the department and then we will go to 1.3.

**Senator BOSWELL**—I would like to ask some general questions. Just before I do, I would like to follow on from Senator Ludlam's questions. If industry put the bill up on carbon, then who picked the Jack and Jill up? Was it primary industry when they could not cut trees down?

**Senator Wong**—Some of the state legislation that you are referring to was enacted whilst you were in government.

**Senator BOSWELL**—Yes. I am well aware of that, to my everlasting shame. It has been put to me by a significant former and would-be producer of renewable power that allowing the banking of solar RECs in the LRET up until January next year, which is explicit in the renewable energy amendment bill before parliament, could have a big medium-term dampening impact on the REC prices.

**Senator Wong**—I will make a comment and then I will suggest something. It is interesting, because that is actually a policy proposition that is almost completely counter to what you are putting to me.

**Senator BOSWELL**—I know.

**Senator Wong**—Banked RECs are one of the ways in which you—I do not want to sound like an economist because I do not think I do that very well—essentially make sure that the market functions smoothly.

**Senator BOSWELL**—I know this is contrary to my position, but I have been asked to ask the question.

**Senator Wong**—I was going to say it adds liquidity. We have sent home the people that deal with renewable energy.

**Senator BOSWELL**—Someone here might care to chance their arm on this, even yourself.

**Senator Wong**—Mr Comley is really wanting to answer a question on this, but I am not going to let him. I am happy to traverse it again. I think Mr Raether has left, but we have Ms Thompson and Mr Leeper here, if you want to go back to this issue.

**Senator BOSWELL**—There are another couple of strands to this. The estimate is that there will be an oversupply of RECs of some 15 million as a result of this decision. These largely phantom RECs from rooftop systems at the nominal price of \$40 will depress the REC prices for up to three years until they all wash through.

**Mr Leeper**—RECs created from small-scale systems through the course of 2010 for systems installed through this calendar year would go into the large-scale market. We have had a range of views put to us by stakeholders. Some stakeholders welcome the fact that there is some liquidity in certificates going into the large-scale market; some agree with us that otherwise there would be a risk that by 2013 or 2014 some large-scale parties with obligations may find themselves paying the shortfall charge of \$65 before tax. So, there is a range of views out there. Our consultations with stakeholders suggest that an amount of liquidity of up to 20 million RECs as a result of the 2010 calendar year build-up would not be distressing to the industry in broad. So between 15 and 20 million we thought is the likely amount of RECs

that would be left after the surrendered period for 2010, and that that would provide an adequate degree of liquidity in the large-scale market.

**Senator Wong**—So, basically, the policy issue is this: if all you are interested in is making sure you get high REC prices then you want to get rid of these bank certificates. From the government's perspective, we have to look at how we ensure the market functions properly. You do not want to make the supply of RECs too scarce so that the price spikes; you want to make sure you have sufficient renewable energy certificates in the system so the market functions smoothly. We are not of the view that we should be—I do not know what the policy proposition is, but getting rid of them is not it—changing the target to essentially get rid of them, because we want to make sure the—

**Senator BOSWELL**—Well, I am asking the question.

**Senator Wong**—Yes, I am just letting you know so you know why we have taken the decision we have. We want to make sure the market functions smoothly.

**Senator BOSWELL**—The REC prices crashed again today or this week. This guy is one of the guys that lost money because the REC prices have gone down. You are saying there would be an oversupply of about 15 million. Is that your proposition, Mr Leeper?

**Mr Leeper**—The department estimates that after the surrender period for 2010 systems there should be an excess of around 15 million RECs in the large-scale market as the new scheme starts to operate.

**Dr Parkinson**—It is not that that means there is an oversupply. What it does is allow you to avoid—people hold on to them because they actually want to hang on to them, so they can actually use them in the future when their obligation is going to be higher. If you were to take away the capacity to bank them, what you would create is actually more like a sawtooth pattern—you get spikes up, you get spikes down—and that is not in anybody's interest.

**Senator BOSWELL**—I understand what you are saying, but I will ask this question because he has asked me to ask it. Would this not go a long way to defeating the policy purpose in splitting the RECs between large- and small-scale generation, where the idea was to push up the price for RECs far enough to make investment in large-scale renewable projects viable? He is facing a collapse in RECs again today.

**Senator Wong**—I do not know what the spot price is since I have been in here, but I think our answer to that would be, no, we do not agree that it does fly in the face of the policy objective. Ms Thompson has something to say, I think.

**Ms Thompson**—As the colleagues have been saying, our modelling shows that we have just over 15 million—in fact around 16.2 million—that will be in the stock of banked RECs following the February 2011 surrender of renewable energy certificates to meet the 2010 annual target. In fact, the stock of banked RECs falls below the LRET target by 2014. What we are seeing, in fact, is that stock of liquidity washes through the RET within that very short period and there is no more bank RECs by 2014. It is a short-term effect of liquidity that a number of stakeholders, as we have been saying, are very supportive of because they believe it will help ease the transition to the LRET scheme.



**Mr Leeper**—The presence of excess, or banked, RECs offers anybody with an obligation the opportunity to choose when and where they might surrender things, otherwise, to be frank, they are trying to acquire the things just in time, which is what the secretary said. In the large-scale market, which we do not know about because these are privately contracted, the price could vary significantly over very short periods of time if the market is literally only clearing exactly what is available all the time.

**Dr Parkinson**—You may recall previous times in committee when we discussed the CPRS. The CPRS permits were allowed to be banked, too, for that very same reason. It is a way of actually improving the efficiency of the market. Otherwise, what you are requiring is any individual firm to race out and buy exactly the amount of permits it needs for this year's obligation. If it just cranks up a new investment and it has a sudden spike in the permits it needs, you create all sorts of problems.

**Senator BOSWELL**—He is being hard pushed to get a price for his RECs at the moment.

**Mr Leeper**—The current spot price is \$38. It has come down a few dollars in the past couple of weeks.

**Senator BOSWELL**—He needs something like \$70 to operate.

**Mr Leeper**—That is the spot price in the market where they are being publicly traded. As I think we said this morning, we do not know what the contract prices are in the large-scale market.

**Senator BOSWELL**—He operates—and I think Senator Wong knows who I am referring to—on the spot market. Madam Chair, would you indulge me. I want to ask one small question in program 1.4, but if I have to come back it is another person to ask. It is a very simple question: 'How much was given for overseas climate aid?'

**Senator Wong**—'Given'?

**Senator BOSWELL**—How much did we provide for overseas climate aid?

**Senator Wong**—I would have to take that on notice. There was a range of election policies that we went to the last election with. One matched, in fact, Mr Turnbull's policy in terms of international forest assistance, which was a policy of \$200 million. There was a \$150 million international adaptation initiative, but in terms of expenditure to date, I will have to take that on notice.

**Senator BOSWELL**—Maybe I could come back after and ask this at the appropriate time.

**Senator Wong**—I have taken the question on notice.

**CHAIR**—Is that appropriately asked in 1.4?

**Senator Wong**—Yes.

**Senator BOSWELL**—You couldn't have that answer when 1.4 comes up?

**Senator Wong**—If we can, we will provide it.

**Senator BOSWELL**—Thank you very much.

**CHAIR**—Are there any further general questions of the department? If not, we will then move to program 1.3.

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**Senator BIRMINGHAM**—You finished general while I was away. That is okay.

**Senator FISHER**—I am sure you can find a way to make general questions on 1.3. Others have done it in reverse. The chair will be very forgiving.

**Senator BIRMINGHAM**—I am sure I can do it at a later point too, if need be. Thank you. We will keep this relatively quick, I think. Why does the funding for the National Climate Change Adaptation Research Facility expire at the end of 2011-12? What impact will that have on the centre?

**Mr Carruthers**—That is essentially the description of the government's adaptation program. The program was initiated in 2007, late in the term of the former government, with forward estimates out for five years. That explains the term for that and, of course, there will be a need for the government to make a decision in the appropriate budget context about future funding in relation to adaptation program matters.

**Senator BIRMINGHAM**—What would be the impact on support there if there were no future funding?

**Mr Carruthers**—I have just observed that adaptation to climate change is one of the three pillars of the government's climate change strategy. Whilst this is a matter for the minister and the government, I think you could expect that the government would continue to have a substantive presence in relation to adaptation to climate change. Perhaps I could hark back to the remarks I made earlier in the afternoon about the growing impacts of climate change and the need for Australia to put in place adaptation measures to make Australia resilient to these impacts. I think you could expect that the government would make some appropriate decisions beyond the current term funding.

**Senator BIRMINGHAM**—What exactly does the Australian Climate Change Science Program fund?

**Mr Carruthers**—The Australian Climate Change Science Program makes a co-investment with the national research institutions, especially the Bureau of Meteorology and CSIRO, into the strategic direction of climate change science efforts in Australia.

**Senator BIRMINGHAM**—I note that it is funded at exactly the same rate year in, year out throughout the forward estimates. In real terms, this of course is a diminishing value. Has that problem been raised by CSIRO or others?

**Mr Carruthers**—Obviously the resources there have been fixed over some time and that, in fact, goes back into the period of the former government. I think that obviously the department does work in close cooperation with CSIRO and the Bureau of Meteorology about the best use of resources, but on your specific point, no, they have not raised that in a specific way with the department.

**Senator BIRMINGHAM**—In the program support line of the PBS for 1.3 there is a significant drop down from 2009-10, down to 2010-11, and then again to 2011-12, before a sort of rough stabilisation, up and down a little bit. What is the agency not doing in the adaptation to climate change field next year that it was doing during the course of this year with \$22 million less?

**Mr Carruthers**—We are looking at page 19, are we?

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**Senator BIRMINGHAM**—Page 28.

**Senator Wong**—I think that is the same issue.

**Mr Carruthers**—You are looking at program support again?

**Senator BIRMINGHAM**—Yes.

**Mr Carruthers**—This is the same issue we were talking about before. These program support numbers are essentially the staffing and ancillary services that are required to run the department. These are reflections at program level of that step-down that we could see in the department's resourcing earlier.

**Senator BIRMINGHAM**—That is true, which is why I am asking as to what it is that you are not doing. Does it mean you are simply providing \$20 million less advice to the department on climate adaptation measures? What has changed in terms of the deliverables or the KPIs for the agency in that area? It is not that any of the administered items have moved by a commensurate amount?

**Mr Carruthers**—That is why I mentioned page 19 and the administered expenses, which is really the main horsepower in program 1.3, Adapting to climate change. This is coming through the administered funds. That is the sort of funding that supports the work on vulnerability assessment such as the major report released by the minister a fortnight ago on vulnerability of Indigenous communities in Northern Australia to climate change. You will see the administered funds increase to \$30 million this year.

**Senator BIRMINGHAM**—That is fine, but it is still not really addressing the question, though. I note the couple-of-million-dollar increase there in administered expenses. It is still a major cut to this area of the department. Are there just fewer staff working in that area of the department? Is that the answer and, if so, what were the staff who have gone previously doing?

**Dr Parkinson**—Senator, just to be clear—you are looking at page 19, the departmental expenses dropping in 2009-10 through to 2010-11 from \$28 million to \$23 million, and then the other services, the \$9.9 million, the \$8 million, the \$1 million and the like disappearing.

**Senator BIRMINGHAM**—Correct; another other area disappearing, and I guess particularly the—

**Dr Parkinson**—Or shrinking.

**Senator BIRMINGHAM**—I note the other services, whatever they were—is probably the big one. Independent sources is a slightly different matter, but then there are further cuts in the forward estimates to 2011-12 as well.

**Dr Parkinson**—Can we come back to you on the specifics?

**Senator BIRMINGHAM**—If you could provide the details, that is fine. That is not something worth holding us up over.

**Dr Parkinson**—It is just the way we have allocated the step-down and the reduction in the funding. We will come back to you with more detail on it—what we can give you—but at this stage we have to allocate that step-down in funding of the departmental revenues from government across the various areas. That is just the way we have done it. You would recall

that we have still got section 32 receipts to come from DEWHA. We have distributed what we have across the department and until we know the outcome of those negotiations—

**Senator BIRMINGHAM**—So, even though most of those people belong in 1.2, or most of that money belongs in 1.2, you have actually just distributed the gap evenly? That probably explains the issue, Dr Parkinson, but any other detail would be welcome.

**Dr Parkinson**—Happy to come back to you.

**CHAIR**—Thank you.

**Proceedings suspended from 6.00 pm to 7.03 pm**

**CHAIR**—We will recommence proceedings with examination of portfolio area 1.4.

**Senator BIRMINGHAM**—Have all costs related to the Australian delegation to Copenhagen been reconciled?

**Ms Sidhu**—They nearly all have. We are close to having final numbers on most of the costs that relate to our department.

**Senator Wong**—There is a question on notice which has not been finalised because of the reconciliation issue. As you know, the vast majority of these costs have already been well and truly ventilated, but we will attempt to finalise that and provide the question on notice answer as soon as possible.

**Senator BIRMINGHAM**—Thank you. Is it possible to have an update tonight of where you are at?

**Senator Wong**—I would like to take that on notice. It is not like we have not made these public. They were the subject of an FOI.

**Senator BIRMINGHAM**—Indeed. I will happily receive the answer to the question on notice at some stage fairly soon. Thank you for that commitment. In relation to follow-up discussions since Copenhagen and activities to progress since the Copenhagen Accord, what discussions has the department attended internationally?

**Mr Comley**—There have been quite a few discussions. The most significant was a discussion of what is now starting to be referred to as the Cartagena group, or the group of progressives, which occurred in Cartagena on 25 and 26 March, where Australia assisted Colombia host a meeting of countries that had originally been convened by Prime Minister Rudd and Prime Minister Brown in Copenhagen. The meeting involved constructive discussion between developed and developing countries about how to take the international climate change agenda forward. There have also been recent UNFCCC meetings. There were UNFCCC talks in Bonn on 9 and 11 April where the forward-work program on climate change negotiations here were discussed. Minister Wong has also participated in the Major Economies Forum, which occurred in Washington on 18 and 19 April.

There are also a number of other tracks that have been pushing forward on the Copenhagen Accord. For example, following from the Copenhagen Accord there was an advisory group on finance that was established. That is a group that is co-chaired by former Prime Minister Brown and the Prime Minister of Ethiopia. It comprises 19 members to look at ways in which the commitment for financing, through the Copenhagen Accord, of \$100 million a year by

2020 can be achieved. That group has met once at principals level. Mr McMullan, the aid minister, is a member of that group. It met in London in late March and then, following on from that meeting, they established two working groups which were to progress work of the advisory group on finance between meetings. They had two working group meetings in Washington last month and there is a forward work program leading up to providing a final report for the UNFCCC meeting in Cancun at the end of the year.

In addition, a range of bilateral discussions have been undertaken. A number of those initially occurred through January, principally focused around New York, where there is a fair bit of activity based on permanent missions, in terms of taking forward outcomes of Copenhagen towards Cancun, but there is also other bilateral activity. For example, Ms Sidhu recently visited China, India and Russia to explore the way in which key members of the developing world and Russia are looking at climate change negotiations going forward. There has been quite a lot of activity on the way forward. There is also another process that has been quite critical, the so-called Paris-Oslo process relating to reduced emissions from deforestation. There is another meeting of that in Oslo this week which is trying to progress the pillars of the Copenhagen Accord.

Broadly speaking, if you think of the key outcomes of the Copenhagen Accord, there is work on financing, which is developing through the advisory group on finance, to work in parallel with the UNFCCC process; there is work on REDD through the Paris-Oslo process; there is work on MRV, which came out of a meeting of ministers, an informal dialogue that was held in Germany, from memory, which has commissioned some work on monitoring, reporting and verification; and there are ongoing discussions about high-level mitigation commitments following the Copenhagen Accord commitments that were inscribed, mostly by the end of January this year. There is in fact quite a lot of activity in which the department is actively engaged across the full suite of things following from Copenhagen and towards Cancun this year.

**Senator BIRMINGHAM**—Thank you for all of that detail. With respect to the last two that you mentioned, the MRV working group process convened in Germany and the Paris-Oslo process, has Australia been represented at those meetings?

**Mr Comley**—Yes.

**Senator BIRMINGHAM**—By whom were we represented at the MRV discussions?

**Mr Comley**—My recollection is that Special Envoy Bamsey represented the minister at those discussions in Germany.

**Senator BIRMINGHAM**—Do you know what size the delegation was?

**Mr Comley**—Two. It would have been Mr Bamsey and one other.

**Senator BIRMINGHAM**—And the Paris-Oslo process?

**Mr Comley**—The person who is principally representing at that meeting is Ambassador Hand. If your next question is the size of the delegation, the answer would be two more: Ambassador Hand and two others.

**Senator BIRMINGHAM**—So just one meeting of that group has occurred so far?

**Mr Comley**—This is the second meeting that they are currently attending. There was an earlier meeting of the Paris-Oslo process, which would have been around two months ago.

**Senator BIRMINGHAM**—Dare I ask where those meetings were?

**Mr Comley**—I believe it was in Paris.

**Senator BIRMINGHAM**—Both meetings were in Paris?

**Mr Comley**—The first one was in Paris and the second one was in Oslo.

**Senator BIRMINGHAM**—I was just wanting to check that I was not about to leap to any conclusions on locations. Did the same people attend both of those meetings?

**Mr Comley**—I would have to check exactly who attended.

**Senator BIRMINGHAM**—I assume Ambassador Hand both times.

**Mr Comley**—I am sure Ambassador Hand attended the first one. I am not sure who attended with Ambassador Hand.

**Senator BIRMINGHAM**—Ms Sidhu, you attended bilats with China, India and Russia. Were you accompanied by other officers?

**Ms Sidhu**—One other.

**Senator BIRMINGHAM**—New York was obviously a series of bilats with different countries?

**Mr Comley**—The New York bilats were conducted by Mr Bamsey. From memory, he was accompanied by one person on those bilateral engagements.

**Senator BIRMINGHAM**—Parliamentary Secretary McMullan attended the London advisory group on finance and the Washington—

**Mr Comley**—No. Parliamentary Secretary McMullan attended the London meeting and I accompanied him as his deputy. For the Washington meetings I attended the meetings as the representative with one other person from the department. It is worth noting that technically Mr McMullan is appointed in a personal capacity, so I was technically supporting Mr McMullan in his personal capacity. All of the members of the advisory group on finance are appointed for the expertise they bring and are not representing country positions.

**Senator Wong**—It is not a national representation. It is by invitation or appointment.

**Mr Comley**—It was by appointment. There was a process where the UN Secretary-General was involved, but there was a coming together with the co-chairs, in particular, about what was the appropriate membership of that group.

**Senator BIRMINGHAM**—Minister, we must have had an estimates or a sitting that you arrived back at the day before or the day after the Major Economies Forum.

**Senator Wong**—Yes, that is right.

**Senator BIRMINGHAM**—It rang a bell when I heard you were there.

**Senator Wong**—I would like to say again that Australia and these officials play a very important role in these international negotiations. They are obviously not easy, as Copenhagen demonstrated. Australia brings very sound policy expertise to many of these forums, which is

why, frankly, our attendance or involvement is often sought. For example, Australia has played a very important role in terms of policy level expertise in the Paris-Oslo REDD process. Mr Comley is in charge of a couple of aspects of the work of the UN advisory group on finance, and the MRV meeting is obviously one of the critical aspects of the global arrangement. It is important, tints work—trying to work through the range of issues that proved so intractable at Copenhagen.

**Senator BIRMINGHAM**—Thank you. Mr Comley has done a good job along the way of putting into terms that I can understand at least what each of these groups is hopefully doing and achieving.

**Senator Wong**—The way I think about it is that there are a range of components referenced or outlined at a principal level or a higher level in the Copenhagen Accord, under which a very substantial amount of technical and policy work is required. In the areas where we can contribute significantly we are seeking to do so.

**Senator BIRMINGHAM**—Finally, at the Major Economies Forum your delegation was?

**Senator Wong**—Me, my international advisor, Ambassador Hand and one other.

**Senator BIRMINGHAM**—The UNFCCC meeting in Guam?

**Mr Comley**—Bonn.

**Senator BIRMINGHAM**—I am sorry. I wrote down Guam. I obviously misheard you.

**Senator Wong**—The secretariat is located in Bonn.

**Senator BIRMINGHAM**—Guam was an interesting location and not a particularly easy one to—

**Mr Comley**—We can take on notice the precise number, but we recall that approximately five members of the DCCEE went to the Bonn meeting that has already been held, and the delegation that is being sent for the meeting that commences early next week is slightly larger than that. There are 15 members.

Perhaps it is worth just explaining why there is a difference in the numbers. The meeting, in the overview, was very much a preparatory meeting about what the work program would be. Once you get to the UNFCCC that happens for two weeks there are multiple streams occurring on these various negotiations at the same time. That is why the delegation is typically larger for those significant negotiating meetings.

**Senator BIRMINGHAM**—And that meeting next week is in Bonn?

**Mr Comley**—It is a two-week meeting and it is in Bonn; that is right. It is where the UNFCCC secretariat is housed.

**Senator BIRMINGHAM**—Who are those two Bonn meetings led by?

**Mr Comley**—Ambassador Hand.

**Senator BIRMINGHAM**—On both occasions?

**Mr Comley**—She went to both; that is right.

**Senator BIRMINGHAM**—Lastly, was it the Cartagena Group?

**Mr Comley**—The Cartagena Group. There was a delegation of five. It was slightly larger than some of those bilaterals because Australia effectively had a co-chairing capacity and so it was involved with Columbia in assisting the process of managing the agenda. We can take on notice the precise number, but Special Envoy Bamsey and Ambassador Hand attended with some supporting staff.

**Senator Wong**—Mr Comley did reference the origins of what is now the Cartagena Group, which was in fact an initiative by Prime Ministers Brown and Rudd at the Copenhagen conference to try to bring like-minded parties together to help progress the negotiations. It does not get a headline, but it was actually a very constructive process. In my view it was the most constructive process that occurred at a negotiating level at Copenhagen. Others may have a different view. We are very pleased that various nations, including Australia, are continuing to press on with it. Obviously it is not a formal negotiation like the UNFCCC negotiations, which is where the climate change negotiations occur, but it is a very useful group to work through some of the very difficult issues to see if it can shift from some of the positions that have unfortunately meant that we have as yet not been able to progress as far down the global arrangement track as we would have liked.

**Senator BIRMINGHAM**—How many countries are party to the group?

**Mr Comley**—We are just getting a precise number. There are 28 members of the Cartagena Group.

**Senator BIRMINGHAM**—I may well be able to Google it if need be, but perhaps if you could either table or provide on notice a list. We do not need to go through them all now.

**Ms Sidhu**—Yes.

**Senator BIRMINGHAM**—In relation to the status of negotiations, if I can just ask about one particular area.

**Mr Comley**—We actually have something which could be helpful for you, which is—

**Senator Wong**—Except it is almost impossible to read. It is in very small font. He does not wear glasses.

**Mr Comley**—If you are interested, I have a sheet here, which is a key groupings card.

**Senator BIRMINGHAM**—Have you seen the first copy of the organisational chart I got this morning?

**Senator Wong**—Yes, they are all the same. Don't worry, it happens to me sometimes.

**Mr Comley**—We can provide you with a list of the Cartagena Group.

**Senator BIRMINGHAM**—One area of the negotiations is in relation to discussions and treatments around soil carbons and how they are accounted for and how they might be considered in future agreements. Is that a focus of any of the discussions and involvement by Australia and, if so, what progress is being made there?

**Mr Comley**—Perhaps I will start and Ms Sidhu might elaborate. It has been a focus of the discussions. Probably more broadly the issue is not just soil carbon per se but how you might move to full landscape accounting because, as I am sure you are aware, one of the issues is, if you bring such accounting within the system, there is a large question of natural variability.



The question of a coverage of something like soil carbon would also be intimately linked with how you would deal with natural disturbances. I think the government published in the white paper an estimate of soil carbon variation in Australia over a long period of time and you do have over four-, five-year periods variations of up to 400 megatonnes of carbon purely related to, in particular, drought conditions. There is a discussion that includes both the accounting treatment per se, measurement methodologies and the way in which you would account for any natural disturbances. I think it is fair to say that those discussions are progressing reasonably well, but there is still not a final agreement on how you deal with those accounting issues.

**Senator BIRMINGHAM**—Lastly, just in terms of, I guess, outlook—and it is perhaps one that if you can add something that would be good, or otherwise the minister, in terms of expectations looking ahead to Cancun. Is it too soon to look at expectations of what might be achievable there? I guess again noting that the government's framework for decision making around an ETS and the triggers for achieving some form of international agreement, what expectations do you have for the 2010 meeting there? Can it achieve something or will we really be looking towards the end of Kyoto and 2012 for likely crunch time?

**Senator Wong**—I think there is probably a whole range of articles and speeches that could be written and given on those issues. I think there is a clear-cut answer. I would just again say that what we said in the announcement had greater clarity in terms of the actions of major economies. I think the best way to think about it is what was achieved at Copenhagen. Although obviously we would have hoped for significantly more and it would have been better for future generations, to put it bluntly, if we had as an international community, but what was achieved in terms of the Copenhagen Accord was an important and significant step. The best thing Australia can do if we are serious about trying to help build a global solution is to work on the implementation of the various aspects of the Copenhagen Accord and to find those solutions. As I said, they are not easy, but I think there is certainly a strong contribution Australia can make in that policy framework. We will continue to do what we are doing both in the multilateral process but also in other plurilateral and bilateral process to progress that.

**Senator BIRMINGHAM**—I accept that we could discuss that all night and come up with nothing, I suspect.

**Senator WORTLEY**—Could you provide us with an update on the US climate bill, the draft American power act.

**Mr Comley**—The US climate bill? Yes, I can. There are two issues. Are you interested in the procedural questions about where that is currently in the legislative process in the US or are you concerned with the substance of the bill itself?

**Senator WORTLEY**—You can briefly tell us where we are with procedural matters, but it is the substance of the bill that I would be interested in.

**Mr Comley**—My understanding is it has not been reintroduced into the Senate at the moment. That is essentially because there is a question in the US at the moment about which legislation will take precedence through that process. A discussion paper or a bill has been released by Senators Kerry and Lieberman, but it has not yet been introduced into the Senate for debate.

It is a little hard to pre-empt what will happen in the US legislative processes, but my understanding is that it has not been ruled out yet that that bill could be dealt with over the course of this year. When you speak to people—which I did have the opportunity of doing—on the back of the advisory group and finance meeting in Washington, in Washington there are different views about the prospects of that bill going to completion, but as yet the possibility that it will proceed has not been ruled out—

**Senator WORTLEY**—I am more interested in the actual—

**Mr Comley**—I have to be a little careful here in the sense that there is a large part of the way that the bill is described—

**Senator WORTLEY**—What proportion of the US economy would be covered by a carbon price under the act?

**Mr Comley**—It is very high coverage. From memory, around 90 per cent of emissions are covered under the US act. In fact, a lot of the provisions of the bill are very similar to the Australian CPRS, so there is coverage of the electricity sector. There are offset provisions for the agricultural sector. There is a discussion of how you treat transport—and there are certain domestic political sensitivities in the US—and they have refrained from describing the transport sector as being part of the cap and trade mechanism.

But if you look at the substance of it, they are using what they describe as a linked fee into the thing, so they basically apply a fee set at the same price as permits in the rest of the market. In substance, transport is covered by the bill as well as the electricity sector. They also have a range of assistance for energy-intensive trade-exposed industries. If you look at the detail of the way they have discussed those, it looks quite similar to the architecture of the Australian bill, although the difficulty that you have in the US is that the legislation tends to be a higher level description and a lot more is left to regulation so there is not quite the same degree of certainty as there was in the CPRS as to what the ET mechanisms would be.

They also have provision for international offsets—so, some allowance to bring international offsets into the scheme. They have proposals that try to attempt to control the price in the bill, so they have a price collar with a \$12 floor and a \$25 ceiling which increases over time. The way they have specified that is that the lower bound of the price collar—so, the \$12 price—increases at three per cent real per year whereas the upper end increases by five per cent. Effectively what they are doing is having a price collar that is tighter at the start and then widens over time to allow the market to be the dominant and only way that prices are set over time.

The other thing that they have is provisions that bar US states from implementing and forcing cap and trade programs to control greenhouse gas emissions. Essentially they are saying: here is a national scheme that covers the field. They have a range of other provisions that we would think of more as outlay programs that we would not necessarily put in the same bill, but it is really a reflection of the US legislative process where it is all bundled into the same bill to try to get cross-party support.

In terms of the use of revenue in the scheme, in the early parts of the scheme much of the revenue was allocated to liable parties or others in various ways, but over time there is a

significant increase in the proportion of permits available—the revenue used to reduce the US deficit—and that becomes more significant over time.

I think they are the key features of the bill. I suppose the high-level thing is it really does very much look like the same family of policies as the Australian CPRS. There is very broad coverage of emissions. Really the difference in the coverage in the US scheme compared with the CPRS is largely explained by the different industrial structure of the US rather than fundamentally different design features of the bill.

**Senator WORTLEY**—Are you able to provide a brief update on the status of Japan's climate bill and Japan's consideration of emissions trading?

**Mr Comley**—Off the top of my head that is more difficult. We can provide that on notice.

**Senator WORTLEY**—I had a number of questions regarding Copenhagen. Perhaps I can ask one and I will put the rest on notice. What progress has there been on the issue of reducing emissions from deforestation and forest degradation at Copenhagen and since then?

**Mr Comley**—The key progress is related to the processes which I was talking about with Senator Birmingham, which is that the Paris-Oslo Process has been taking that forward. That is a very mature process. In fact, at Copenhagen it was very close to a finalised agreement on REDD processes, so the prospects over this year of that developing to final state is very prospective. Ms Sidhu may like to add something to that.

**Ms Sidhu**—I would like to say that by progress in Copenhagen what we are talking about is the inclusion of REDD within the UNFCCC regime as a mitigation mechanism. The discussions that have taken place since Copenhagen have gone to refining what those definitions might be and also providing fast-track funding towards REDD projects to test and demonstrate some of the mechanisms around REDD.

**Senator WORTLEY**—I have a number of other questions, but I can put those on notice.

**Senator LUDLAM**—Is this the proper place to talk about overseas development assistance?

**Mr Comley**—Yes.

**Senator LUDLAM**—With regard to the Copenhagen agreement, on the question of finance, mitigation and adaptation in developing nations, roughly how much money was agreed to be paid to developing nations?

**Mr Comley**—Under the Copenhagen Accord there are two different financing commitments. The first was the so-called fast-start financing commitments, which was a commitment of \$30 billion over three years. The second commitment was to have \$100 billion of finance to developing countries by 2020 as an annual amount. As I explained previously, that second part, not the fast-start finance, is the question that the Advisory Group on Finance is preparing advice for the UNFCCC process in Cancun.

**Senator LUDLAM**—How much can you tell us about what the government regards as fair contribution from Australia in both of those two tranches of funding?

**Mr Comley**—The government has not precisely defined what a fair contribution is. You can look at standard burden sharing arrangements in the aid area, which provides some

guidance on the level of contribution. I think that varies depending on the particular context. We could probably provide on notice the precise number, but in rough orders of magnitude the amount that is normally assigned to Australia is in the order of 1½ per cent of a contribution pool.

**Senator LUDLAM**—One and a half per cent of what?

**Mr Comley**—Of the pool. This depends on the particular context, so there is no precise number. Broadly speaking, often these formulas are driven by a proportion of GDP of the donor pool and that is typically in the order of 1½ per cent for Australia.

**Senator LUDLAM**—You said the government has not finalised that. Obviously for the fast-start period, 2010 to 2012, that clock is ticking. When is it expected that we will know what our contribution is going to be, at least for that first three-year spell?

**Mr Comley**—That is a matter for the government when the fast-start contribution is announced.

**Senator LUDLAM**—Minister, are you able to help us out at all?

**Senator Wong**—I would make the point that we have already provided a range of financing for climate initiatives internationally. For example, we have the International Forest Carbon Initiative, which from memory was a \$200 million program, which we added to. The Prime Minister announced additional monies at Copenhagen in relation to that. We have the International Climate Change Adaptation Initiative where we have already expended monies and there is a range of measures in the budget paper which have already been announced building on that commitment. This is for the fast-start period.

**Senator LUDLAM**—That is right. That is what I was after. I was asking when you would be able to tell us what our contribution is likely to be for that first three-year period, or if you can tell us what proportion of announcements that you have already made will be reflected in the overall funding commitment that we make? What proportion of that have we seen so far?

**Senator Wong**—I would probably have to take that on notice because the programs are not all in this portfolio. I can tell you that in the budget papers, from memory, there were additional monies for the International Forest Carbon Initiative of some \$56 million. There was about \$170-odd million additional money under the International Climate Change Adaptation Initiative. If you go to Budget Paper No. 2 you will see a range of measures there. I think there was \$15 million for climate change partnerships and some multilateral climate change financing, which was also outlined. Obviously this builds on previous commitments and previous expenditure that the government has already made.

**Senator LUDLAM**—I appreciate that and that a lot of this is on the record. I am still trying to get a sense from you when you will be making an announcement of what our total contribution is going to be? If you cannot tell me then just say that you cannot tell me. You keep changing the subject.

**Senator Wong**—I will have to come back to you on that.

**Senator LUDLAM**—Is it foreseen by the government that before we get to Cancun you will know how much Australia is prepared to put on the table?

**Senator Wong**—For fast-start?

**Senator LUDLAM**—Yes.

**Senator Wong**—Yes.

**Senator LUDLAM**—I recognise that you have not locked this figure down yet, but you said, ‘We’re using a formula based on how foreign aids are apportioned, which would amount to 1.5 per cent ...’

**Mr Comley**—No, I did not say that.

**Senator LUDLAM**—Total funding for it. Can you spell it out for me? What does it look like at the moment and why are we not using an emissions intensity formula rather than a foreign aid formula, which would make more sense in this case?

**Mr Comley**—There are different views. That is in a sense why I was not precise about how you would define it. In the context of financing flows, most people have looked at this in terms of contributions related to formulae or approaches that have been used in the aid context. That is not precisely 1½ per cent. I was saying that those formulas tend to come around 1½ per cent and they vary from context to context. That is the ballpark that would typically be considered a fair share.

**Senator LUDLAM**—That was the first part of the question. The second part is: why would we use a formula like that? Why are we cutting up the world’s GDP per capita and assigning a proportion that way? Why are we not assuming carbon intensities, since this is specifically related to the impacts of carbon emissions?

**Mr Comley**—As I am sure you are aware, there is a long debate between the way you should do this, whether it should be on a measure of capacity to pay or a measure on historical responsibility. It is precisely that sort of debate that leads into some discussion about what the appropriate share should be. I was merely saying on a capacity to pay you would typically use something that is aligned with around 1½ per cent. That has typically been the way the conversation around fast-start has been conducted.

**Senator LUDLAM**—It sounds as though we are not going to hear much more about this until Cancun.

**Senator Wong**—No, I did not say that. In fact, as I have said, if you want to have a look at Budget Paper No. 2 you will see a range of initiatives which build on funding that has already been announced previously. What I said to you was that I was not going to give the dates on which these sorts of things would be announced.

**Senator LUDLAM**—It is always worth asking. You have indicated that you are aware that there are a couple of different strands to this debate and with the idea of levying a proportion of funding based on emissions intensity you would take into account things like historical responsibility for greenhouse gas emissions. There is obviously a strong argument that says a large fraction of our wealth—the mining industry has certainly been beating the drum on that in the last couple of weeks—is owed to the emissions intensity of our economy. We are wealthy partly because we have such an emissions intense economy and historically that should be taken into account. That is a strong view in the developing world. Is that something

that you are considering and taking into account as you assess Australia's role in the burden sharing?

**Senator Wong**—We are aware of the different views in these discussions.

**Senator LUDLAM**—Do you have any affinity for them or do you discount them?

**Senator Wong**—We are aware of them. Obviously the Australian government makes its decisions on what it considers is its fair share of this funding. I would make the point, which I presume you are aware of, that Mr Hockey announced the cutting of a substantial proportion of the budget measures.

**Senator LUDLAM**—Nearly everything, is my understanding, and if he was sitting here I would probably be giving him a hard time.

**Senator Wong**—We were in the position where, on the one hand, I think your party would say, 'You should do a lot more' and the alternative government says, 'You shouldn't send any money overseas.'

**Senator LUDLAM**—Obviously I am of the view that we would better off if you adopted more of the green-leaning view of the world, which is why I am asking you.

**Senator Wong**—I would be very happy to consider it if the Greens want to put forward their expenditure reductions in other areas across government. I am sorry; I am being a bit flippant. In government you obviously have to assess a whole range of meritorious areas of expenditure. Health is a meritorious area of expenditure, as is education. Defence is a necessary and important area of expenditure.

**Senator LUDLAM**—Not necessarily meritorious. I was just wondering if that was the distinction that you were making.

**Senator Wong**—No.

**Senator LUDLAM**—We can move on.

**Senator Wong**—I am saying that defence of the nation is clearly meritorious. I am making the point that you put forward additional spending, but you do not tell us where you think we should get the money from.

**Senator LUDLAM**—It is you on that side of the table announcing budget measures.

**Senator Wong**—That is true, but I am just making the point.

**Senator LUDLAM**—You can make that point.

**Mr Comley**—The other thing to add is that there are different views. I previously mentioned the Advisory Group on Finance. One of the issues that they are looking at is budget contributions and what sort of approaches could be considered.

**Senator LUDLAM**—I am sorry, I cannot hear you.

**Mr Comley**—One of the issues the Advisory Group on Finance is looking at is the issue of the matrix that you might consider for determining budget contributions over time, which will fully canvass those issues and be another input to the international process on the way through.

The other thing that is probably worth mentioning is that you made the comment about high carbon intensity leading to high income. One has to be a little bit careful with double counting some of these things because even if you accepted that proposition, it is showing up in higher income, which is going to lead directly into a higher contribution when assessed on that basis. I think there has been some analysis done by independent groups that indicates that when you look at a lot of these things, a lot of them are very highly correlated with the same measures and therefore they do not necessarily lead to a significantly different rank ordering of the contributions that different countries would make.

**Senator LUDLAM**—I appreciate that.

**Senator Wong**—I will try to be a little less tired and grouchy. I can put to you a view that I have put internationally and domestically. Climate change is a development issue and the scale of the need, as a result of climate change across the world, but particularly in developing nations, is frankly beyond the capacity of governments to finance. One of the most important aspects of climate finance is to find a way to ensure carbon markets can be part of the solution. If we are always in the world of having this discussion about budget expenditure then that is necessarily a world that is constrained. Part of what is so important and, frankly, part of why Australia has such a strong policy contribution to make, is that we need to develop the incentive for carbon finance to be part of this solution.

**Senator LUDLAM**—Okay. There are a couple of things that come from that. First of all, the advisory group you have said is doing a lot of thinking on this behind the scenes. Will the metrics and the methodologies that they are using, when that eventually goes to government, be made public?

**Senator Wong**—That is not a matter for us. This is a United Nations advisory group. Is that what you are talking about?

**Senator LUDLAM**—You cannot help us there.

**Senator Wong**—You had better ask the secretary-general.

**Senator LUDLAM**—All right. Next time we get him at estimates, I will. With the contribution that the Australian government will be making, presumably we will be making a case to the advisory group on what we think the burden sharing should be, what we think an appropriate formula should be?

**Senator Wong**—Mr Comley might respond on that issue. But if you were interested in Australia's position on climate financing, we have published submissions on the website that we have made to the UNFCCC about these issues and about the role of markets, which should not be dismissed.

**Senator LUDLAM**—I do not think I have been dismissing them so far.

**Mr Comley**—If I can return to the Advisory Group on Finance, because you did ask a specific question—

**Senator LUDLAM**—Australia's inputs to the thinking of that.

**Mr Comley**—I just want to draw a clear distinction here. As I said before, Parliamentary Secretary McMullan is there in a personal capacity, so technically any submission that is

coming from Mr McMullan into the advisory group is not an Australian government position. The current discussion of the Advisory Group on Finance is an intention to publish their final advice to the UNFCCC as a way of informing the debate, so that is the intention of the Advisory Group on Finance. They have made no decision as to whether individual contributions by members of the advisory group would become public. Perhaps, just to expand a little bit, the way that the advisory group is conducting its business is that a subset of the advisory group is taking lead drafting responsibilities but ultimately the advisory group itself owns the full report. It is not really the case that someone is putting a submission; it is really that there are contributing drafting processes on the way through to a final report.

**Senator LUDLAM**—I am assuming that in the Copenhagen agreement there was agreement between the parties to that, of which Australia was one, about how much financing was going to need to be available and what the fast-start financing was going to look like. Are we just having an argument behind the scenes about the relative proportions of each country's contribution?

**Mr Comley**—No, it is much more significant than that. The Copenhagen Accord has a headline number but it does not specify the composition of how that financing would be provided, both in terms of the form of mechanism and the distribution between the parties. The advisory group is turning its mind to questions like what is the contribution of on-budget grant based funding? What is the contribution of carbon markets? What is the contribution of loans? What is the contribution potentially of innovative financing mechanisms that are not currently part of the fiscal architecture, either domestically or internationally? The advisory group is turning itself to all those questions with a view to providing advice to Cancun.

**Senator LUDLAM**—Minister, you indicated that you already put some of Australia's submissions to the UNFCCC in this sort of regard in the public domain.

**Senator Wong**—Australia has made a range—I cannot recall how many.

**Senator LUDLAM**—It is alright. We can chase those. It is fine.

**Senator Wong**—They should be on the DCC website. But just so you know, Australia has made—many nations do—a range of submissions to the UNFCCC process, which are lodged with the UNFCCC, on a range of issues, including finance. I think there would be more than one on that issue.

**Senator LUDLAM**—This is my last question on this and then I would not mind moving on, if that is all right. Is your final submission to the advisory group in that category?

**Senator Wong**—I am sorry—perhaps we are not making ourselves clear. There are two processes and you keep conflating them. Mr Comley has now explained it two or three times. I will try and make it clear. There is the United Nations Framework Convention on Climate Change formal negotiating process; that is what Copenhagen was; that is what Cancun will be. Nations, as parties to that convention, make submissions through the United Nations Framework Convention on Climate Change Secretariat, on behalf of the nation. Mr McMullan has been appointed to an advisory group chaired by Prime Minister Meles and former Prime Minister Brown, in his personal capacity. Any submission from him to that group is not necessarily the position of the Australian government, and Mr Comley has outlined the process that group may engage in—that is a matter for them—about publishing their report.



What I have alerted you to is, if you wish to see the national government's position on finance in the lead-up to Copenhagen, that those submissions are public.

**Senator LUDLAM**—Lastly, an issue which I presume you would be aware of—and we had about 1,000 young people here a week or two ago making their views on this one very clear—is the notion that we would somehow be subtracting from our existing foreign aid commitments under the millennium development goals to fund some of these undoubtedly worthwhile mitigation and adaptation programs. Can you just state for the record what the Australian government's position is on that?

**Senator Wong**—I would make this point—it is obviously not my area only—that my recollection is that the budget actually included an increase in both areas.

**Senator LUDLAM**—Yes.

**Senator Wong**—So, if you wish to criticise, my point is there was actually an increase in both areas. In relation to Official Development Assistance, for all that I am aware of—but maybe most—other donor countries, ODA is expected to be the primary source of funding during the fast-start period. Our fast-start contribution draws on a growing aid budget and does not divert funds from other development priorities.

**Senator LUDLAM**—I believe the Rudd government's commitment for foreign aid in this form is to take it up to 0.5 per cent.

**Senator Wong**—Sorry, I do not mean to cut you off, but really that should go to foreign affairs.

**Senator LUDLAM**—I am not trying to trap you into acknowledging something that is not true. Whatever the number is, will our climate financing be in addition to that 0.5 per cent target or will it be cutting into our foreign aid budget?

**Senator Wong**—The reason I am hesitating is that what I read out is probably the best statement of the position—that is that it does not divert from other development priorities. You are asking a categorisation of aid.

**Senator LUDLAM**—What I am asking does not detract from the fact that both budgets have gone up, and that is welcome. The question is about whether or not, by the time we get to our 0.5 per cent of, I think, gross national income, we will find that the climate adaptation and mitigation funds will have eaten into that or whether it is additional funding.

**Senator Wong**—It is possibly a matter that I would have to say you should refer to DFAT, but why don't I take it on notice.

**Senator LUDLAM**—I will refer it to DFAT, but I would appreciate your views.

**Senator Wong**—The government has made no such announcement; I think that is clear.

**Senator LUDLAM**—It is ambiguous. I have not missed something. Thank you very much. Just finally, regarding the definition of fast-start financing, who is the judge in these cases of what is worthy and what is an unworthy use of these kinds of funds and where does the money actually go? Specifically, what I am interested in is to what degree are we funding Australian abatement programs as opposed to worthy projects in various parts of the world where people's lives are very much at risk?

**Ms Sidhu**—As you can appreciate, the time frame for fast-start financing is very short and very tight and we, like other governments, have to go through budget processes to appropriate those funds or to allocate those funds. As you will also appreciate, processes for distributing new funds can also take a bit of time and most donor governments are in the same position as we are, which is that they are going to do their best to expedite the raising and the distribution of these funds. Because of that recognition it was also understood at Copenhagen, and it has been clearly understood since then, that the fast-start funds are to be treated and seen differently from the long-term funds and that they would be drawn from, and channelled to, existing bilateral and multilateral channels of financing. There is no intention, because there simply is not the time to pull things up from scratch to design new processes. It varies from donor country to donor country, but, for the most part, most donor countries will be using the opportunity to accelerate the distribution of funds through existing channels, so that it can get to its destination faster and it can go through verified and kind of trusted channels.

**Dr Parkinson**—Perhaps if I just make clear, I do not know whether you misspoke or I misheard, but I thought you asked the question of whether it was being used to assist developing countries or to fund Australian abatement. It is only to assist developing countries; it is not to fund abatement in Australia.

**Senator LUDLAM**—That is helpful. Not in Australia, but Australian abatement projects overseas. I am getting a pretty clear signal from everybody at the table that that is not the case. Thank you for clearing that up. Lastly, Minister, I know you have been consulting with an adviser while we were having that discussion. Have you got anything else that you can tell us about the principle of climate aid being additional to overseas—

**Senator Wong**—No, I have not got anything further.

**Senator LUDLAM**—I will leave it there. Thank you, Chair.

**CHAIR**—Are there any further questions on 1.4? If not, thank you very much for your forbearance. We will move to our final program for the evening, which is 1.2: ‘Improving Australia’s Energy Efficiency’.

**Senator FISHER**—I presume we are starting with the Home Insulation Program. Regarding the funding set out in the budget, what is the \$347 million in 2010-11 for the program for?

**Mr Bowles**—Sorry—the \$347 million?

**Senator FISHER**—The \$347 million on page 24.

**Mr Bowles**—That is our initial estimates in the work we have been doing. As you would appreciate, in programs like this we work with Finance to come up with estimates. It is early days. It is not an agreed figure at this stage, but obviously we need to put some estimates in for these purposes.

**Senator FISHER**—On what basis have you estimated it? Can you give us any details?

**Mr Bowles**—The commitment is obviously around removing the foil and putting safety switches in. In the non-foil space we were looking at a minimum of 150,000, or as many as required, along with the industry assistance packages. Trying to come up with the answer to all of that is how we came up with those figures.

**Senator FISHER**—What was your answer to all of that?

**Mr Bowles**—The initial estimate that we have in the budget papers is \$347,749,000—

**Senator FISHER**—Should I have said: how did you come up with the answer to all of that? Can you give me more details about the how? You have got the FISP and the HISP?

**Mr Bowles**—As I just said there is the FISP, the HISP and the industry assistance. They are obviously the major issues that we are dealing with. I do not want to go into specifics of a range of these things because we are currently in negotiations, particularly in the HISP space.

**Senator FISHER**—Notwithstanding that, you must have used some basis of assessment that you are able to enlighten the committee with that does not cut across negotiations?

**Mr Bowles**—What I detailed before is the commitment around the 50,000 foil homes and the minimum of 150,000 in the non-foil—or the HISP—homes. Based on that understanding there are fixed and variable costs when you calculate the budgets in these areas, and I do not want to go into specific detail because we are in negotiations with a national provider around how we finally put together a range of the HISP programs.

**Senator FISHER**—Is that the national organisation that Dr Parkinson addressed in his opening statement experienced in large-scale projects to manage inspections under the HISP?

**Mr Bowles**—That is correct.

**Senator FISHER**—What sort of experience has that national organisation got in large-scale projects?

**Mr Bowles**—In the foil space we have a contract with PricewaterhouseCoopers and United Group Limited to do the foil inspections.

**Senator FISHER**—As a program broker, Dr Parkinson said in his opening statement.

**Mr Bowles**—That is correct.

**Senator FISHER**—What does that mean?

**Mr Bowles**—PricewaterhouseCoopers is a large company that manages projects and does a lot of the compliance activities, and UGL basically subcontract electrical contractors to do the work.

**Senator FISHER**—What is PWC's role as a program broker? You have got UGL subcontracting electrical workers or contractors?

**Mr Bowles**—Yes.

**Senator FISHER**—What is then left for PricewaterhouseCoopers to do as program broker?

**Mr Bowles**—Basically they do a lot of the data work—the data capture, the data analysis—and run the program in a contractual sense for us.

**Senator FISHER**—What is the value of the contract to PricewaterhouseCoopers?

**Mr Bowles**—We structured it in two phases. The first phase is the only phase we have finalised negotiations on and it is approximately \$9 million.

**Senator FISHER**—How many phases will there be?

**Mr Bowles**—Two.

**Senator FISHER**—What do you know about the second phase?

**Mr Bowles**—We know the entire program is 50,000 houses and the removal of foil or the installation of switches. We wanted to structure the contract negotiations so that we got some experience and understanding of how it was working and the costs of that before we would actually commit to PricewaterhouseCoopers going forward into the next phase. We wanted to be in a position of being responsible about the budget and going back to renegotiate with PricewaterhouseCoopers for phase two.

**Senator FISHER**—What is the value of the contract with UGL?

**Mr Bowles**—UGL will do the contract work with their subcontractors. It is in the order of \$50 million. I might just add that is also subject to how we finalise the contract for phase two.

**Senator FISHER**—What about the \$17 million for the program in 2011-12?

**Mr Bowles**—Under the Home Insulation Program?

**Senator FISHER**—Yes, sorry. Why is there still being money allocated?

**Mr Bowles**—As has been said a couple of times, the budget for the original HIP program is as it was. That does not say that that is what will be spent, but the government made a decision to leave the funding there until all components of the program are finalised and we are still, as I said, in quite a number of negotiations for a large part of the program. We just have not altered it in that final year.

**Senator BIRMINGHAM**—The program has been broken up, and there is a residual amount there. In relation to that line item on page 24 of the PBS marked 'Home Insulation Program', what is being expended from that program that differs from the Industry Program, the Foil Inspection Safety Program or the Home Inspection Safety Program?

**Mr Bowles**—Effectively, as I said, the original HIP budget is as it was, and that is outlined there.

**Senator BIRMINGHAM**—Yes. That is fine—that is the residual. You have created these two safety programs and the Industry Program—

**Mr Bowles**—Yes, that is—

**Senator BIRMINGHAM**—and you have taken all of that money out of the HIP budget—

**Mr Bowles**—That is correct.

**Senator BIRMINGHAM**—This is what is left from the HIP budget. Is this just contingency?

**Mr Bowles**—I would not call it contingency. As I said, we are still working through these programs. We do not have final costings and final numbers for the largest component, which is the Home Inspection Safety Program. We believed it was prudent to leave that Home Insulation Program line as it is.

**Senator BIRMINGHAM**—It sounds like contingency then to me. Assuming the other three programs below it, the Industry Program, the Foil Inspection Safety Program and the Home Inspection Safety Program, are all within budget, assuming miraculously you have got

the figures on them right and they all come in exactly on budget, or under, even, will any money from that Home Insulation Program be spent on anything?

**Mr Bowles**—I suppose if the world were perfect and everything landed on the dollar, the commitment would be that we would return it to the bottom line. The reality is we are still going through a process of trying to develop and finalise contracts to actually develop, in particular, the HISP to come up with that answer. It was believed to be prudent that we do not take that money away from the budget line at this stage.

**Senator BIRMINGHAM**—Why didn't you just allocate it to the HISP or allocate it across the HISP and the FISP and the HIP?

**Senator FISHER**—And be done with it?

**Mr Bowles**—I suppose one option would have been to leave the whole thing as one line, but in the interests of trying to give a fair representation, we do that.

**Senator BIRMINGHAM**—You have certainly not dissuaded me that it is anything other than a contingency.

**Mr Bowles**—I can explain it again. Until we have absolute clarity about the final cost and numbers that we will look at in the program, keeping in mind that what we are trying to do here is a safety program, I believed it was prudent that we actually kept that funding as it was.

**Senator BIRMINGHAM**—I am not arguing with the logic. You have given me almost I would have thought an Oxford dictionary definition of contingency reserve in that description—

**Senator ABETZ**—You are just not allowed to call it that.

**Senator BIRMINGHAM**—I am happy that you managed to get that past Treasury and they have let you keep the money in the budget for 'In case of emergency break glass here'. Has the figure of \$347-odd million in the 2010-11 budget been fully expended on the Home Insulation Program, or is there some reserve in that figure as well?

**Mr Bowles**—As I said, they are the remaining funds for the Home Insulation Program. At this point in time in the closure of the Home Insulation Program I would not expect to spend anywhere near that amount of money.

**Senator BIRMINGHAM**—You would not expect to expend anywhere near that amount of money in the closure of the program. So there are some remnant items of the program unrelated to HISP or FISP that you expect to pay out?

**Mr Bowles**—There will be. We still have to finalise some of the payments and finally close the program down.

**Senator BIRMINGHAM**—What numbers are we looking at in terms of outstanding payments that are being set or argued over?

**Mr Bowles**—It is probably a little early to say on some of those figures. There are a whole lot of compliance activities that are going on. Until we actually finalise the compliance activities we would be probably a little bit premature in putting an absolute figure on that.

**Senator BIRMINGHAM**—Do you have unpaid invoices at present that are unpaid because there are compliance investigations into those things taking place?

**Mr Bowles**—We do.

**Senator BIRMINGHAM**—How many unpaid invoices are there in that regard?

**Mr Bowles**—If we go to the total unpaid out of a program of 1.2 million houses—

**Senator FISHER**—That have been insulated.

**Mr Bowles**—Yes, that is correct. We have a little over 50,000 outstanding of which almost half would relate to non-compliance activities.

**Senator BIRMINGHAM**—That is certainly not going to take up much of \$347 million?

**Mr Bowles**—That is probably correct.

**Senator FISHER**—We have 1.2 million homes. Do we know how many pink batts were actually purchased with taxpayers' funds?

**Mr Bowles**—Pink batts are a particular variety of batt, and the insulation program is much, much broader than a batt program. There is a significant number of insulation types that are used in the program. To answer your question, no, I do not know the specific number of pink batts.

**Senator FISHER**—As to the use of consultants with the Home Insulation Program, can you run us through which consultants were used prior to the program starting and since it got underway, and tell us what the consultants did, how much they were paid, whether they have finished their work or whether they are midway through?

**Senator Wong**—I think there is a question on notice on this matter—

**Senator FISHER**—It touches on it, I think.

**Mr Thompson**—My understanding is that it covers most of—

**Senator Wong**—what you just asked.

**Mr Thompson**—It is a very similar question.

**Senator Wong**—It is to the Senate inquiry, so I would ask if it would be possible for us to either take it on notice again, if you want, or if you can wait for that answer to be provided—

**Senator FISHER**—Is it imminent, do you know?

**Senator Wong**—If I could finish, Senator? Because it does traverse pre the machinery of government changes and post, that does obviously require some interaction between departments. We are not going to be able to provide that to you in these estimates, so I am happy to take that on notice.

**Senator ABETZ**—You said that needed some interaction between departments. Can you advise us which departments?

**Senator Wong**—I was referring to the machinery of government changes.

**Senator ABETZ**—Yes, but some of the information—

**Senator Wong**—The evidence yesterday to this committee was that files in relation to this program have come over, but obviously some of the information you ask for may or may not be in the knowledge of the gentlemen at the table. What I am asking is if we can take the question on notice.

**Senator ABETZ**—I understand that. My ears pricked up when I heard, or I thought I heard, that there was still some information with another department.

**Senator Wong**—If I gave that impression, I was not referring to documentary information; I was more reflecting the fact. Just from my personal knowledge, I know that Mr Thompson and Mr Bowles have come in at various stages in this process, so I am not sure if they would need to get any additional information from others.

**Senator ABETZ**—Given I am not on the other committee, that could be taken on notice for this committee as well, which would be helpful.

**Senator Wong**—We can do that.

**Senator FISHER**—I have a specific question relating to consultants arising from your opening statement, Dr Parkinson. You noted that in respect of HIP you have appointed a forensic audit team from KPMG, which I understand from your statement is to do with audit and compliance. Can you expand on that? I presume that appointment is a consultancy.

**Dr Parkinson**—That is correct. I think that in your references committee we may have addressed this issue. The purpose of a forensic audit team is that they undertake audit and compliance activity in a form that allows them to collect information that has evidentiary potential for the AFP; that is, they know the sort of information the AFP would be looking for in the event that there was to be material passed to them, rather than in a sense an ordinary audit and compliance exercise which identifies an issue which then has to basically go off and get a set of forensic auditors or the AFP to go and collect the information itself. We talked about that at the references committee.

**Senator FISHER**—When were they appointed and what is the term of their appointment?

**Mr Bowles**—They were appointed in early April and we expect them to complete in July.

**Senator FISHER**—So three months, roughly?

**Mr Bowles**—Three to four months, yes.

**Senator FISHER**—What was the value of that contract?

**Mr Bowles**—We have provisioned \$800,000.

**Senator FISHER**—Was that the original provisioning and does it remain the provisioning? In other words, has it changed?

**Mr Bowles**—At this stage I believe it is the same. We obviously have not spent that much money at this particular point, given we are only a couple of months into the contract.

**Senator FISHER**—Was that consultancy always intended to run for three months?

**Mr Bowles**—We thought they might be finished in June initially, but with the work that they have been doing they have asked that it be extended until July, in consultation with our people trying to work through this. Obviously when we engage these players and once we get

into these things we allow for some renegotiation of time, mainly because we want to get right to the conclusion that we require out of the program.

**Senator FISHER**—So did that renegotiation of time necessitate renegotiation of cost?

**Mr Bowles**—I will have to take that on notice. I am not specifically sure because I did not do that myself. We normally make an allocation of funding of what we believe it to be, but we do not always spend to that allocation. It obviously depends on the number of people that are in there.

**Senator FISHER**—At whose bequest was the consultancy work sought? Who decided to do this?

**Senator Wong**—Request or bequest?

**Senator FISHER**—It should have been behest, thank you.

**Dr Parkinson**—It was the outcome of discussions between Minister Combet and myself.

**Senator FISHER**—Who suggested it?

**Dr Parkinson**—Off the top of my head I cannot recall which of us suggested it. The issues were transferred to the new department and Minister Combet was appointed. In Minister Combet's statement he mentions that there was to be a forensic audit team appointed. He and I had a number of conversations at the very beginning about how we would tackle this problem of the issues that were surrounding audit and compliance. I considered the resources that I had available to me and out of those conversations with Minister Combet came the suggestion that we would appoint a forensic audit team.

**Senator FISHER**—The consultancy was originally intended to run until June. It was subsequently extended until July. There was provision for expenditure of some \$800,000 on it. How much has been expended thus far?

**Mr Bowles**—I believe it is in the order of \$400,000.

**Senator FISHER**—About half. How far through its term is it at the moment?

**Mr Bowles**—It is approximately half way.

**Dr Parkinson**—I would like to go back to my previous answer if you have finished that question.

**Senator FISHER**—Thank you.

**Dr Parkinson**—I recollect exactly what happened now. I spoke to the AFP about how best to investigate cases of suspected fraud. It was the AFP who suggested to me the value of having a forensic audit team and, in the conversation with Minister Combet, I mentioned this conversation and said that I was proposing to do so. Minister Combet announced in his ministerial statement that the department was appointing a forensic audit team. I am sorry for being confused before, but the exact sequence had slipped my mind.

**Senator FISHER**—Thank you for that clarification. The project has been extended. It looks like it is going to take an extra 30 per cent of time over and above what you thought it would. Is that a fair estimate at this stage?



**Mr Bowles**—I could not quantify specifically. It will be an extra few weeks to get to where we need to get to.

**Senator FISHER**—What does that say about the extent of the fraud that has been uncovered thus far?

**Mr Bowles**—Not a lot yet, because we are not through the process.

**Senator FISHER**—What do you know about the fraud thus far through the process?

**Mr Bowles**—The minister has already mentioned a number of cases referred to the Australian Federal Police. Obviously, we do not want to talk specifically about those cases.

**Senator FISHER**—Understood.

**Mr Bowles**—There are a number of other companies; I need to be careful in my language.

**Senator FISHER**—Are you able to say how many have been referred? I know the minister has at some stage, but are you able to give an up-to-date figure?

**Mr Bowles**—The Federal Police number is three. There is a number of other companies, and I do not want to talk too much about those companies. We obviously do not flag what we are doing in that particular space, but there is a number of other companies that we are currently looking at.

**Senator FISHER**—Is the number several?

**Mr Bowles**—It is several. It is not hundreds or anything like that.

**Senator ABETZ**—Is it double figures?

**Mr Bowles**—It will be double figures, yes.

**Senator ABETZ**—It is more than several.

**Senator FISHER**—Would some tens be right? We are not talking some hundreds, are we?

**Dr Parkinson**—We are not talking about some hundreds. We are probably talking about some tens, yes.

**Senator FISHER**—Some have been referred to the AFP. There are some prospective referrals.

**Mr Bowles**—Not necessarily to the Federal Police.

**Senator FISHER**—Where else would they be referred?

**Mr Bowles**—They could go to state and territory police. They could go to the state fair-trading organisations. There is a range of different ways that we can have a look at these things.

**Senator ABETZ**—I would like to pop in there. You indicated that three have been referred to the Australian Federal Police. Is that right?

**Mr Bowles**—That is correct.

**Senator ABETZ**—How many have been referred to state authorities for investigation and potential prosecution under state laws, or is that not going to happen?

**Mr Bowles**—I do not have a specific number. I know we have talked to a few states about particular issues that come up from time to time in relation to these things. The real importance of the KPMG forensic audit is to actually gather the evidence sufficient to make a case if in fact there is one. The Federal Police do not necessarily look at every case. They will want to see a systemic issue. We are not going down that pathway with a range of these players; we are talking about some companies who have fraudulently done things within the program and we will take whatever means we need to track that down. Again, that is why it is so important that we have the forensic audit.

**Senator ABETZ**—That is not in question. Three matters have been referred to the Australian Federal Police. I want to know whether any have been referred to state police authorities and, if so, what is the number?

**Mr Bowles**—As I said, I know we have spoken to a couple of states about specific cases, probably only in about two or three cases, but that does not mean we are not looking at a range of other companies where we will continue with our information gathering.

**Senator ABETZ**—I am just after the current figure. I would assume that as this investigation continues chances are that there will be a lot more referrals.

**Mr Bowles**—I can take that on notice because I do not have the specifics.

**Senator ABETZ**—All I wanted was the figure.

**Mr Bowles**—I know it is a low number

**Senator MARSHALL**—Can I just come in?

**Senator ABETZ**—Yes.

**Senator MARSHALL**—With those three cases, are you talking about three companies?

**Mr Bowles**—Effectively, yes.

**Senator MARSHALL**—Covering how many instances of fraud?

**Mr Bowles**—Each of the companies is different. I cannot remember. I would need to take that on notice. From memory, the highest one runs at around \$1 million, but I would need to take that on notice.

**Senator ABETZ**—That would be a few roofs.

**Dr Parkinson**—Yes.

**Senator MARSHALL**—On the average price of an insulation, how much would that be?

**Senator ABETZ**—That would suggest something systemic to have a figure of \$1 million.

**Mr Bowles**—Not necessarily. ‘Systemic’ means that everyone in the program is doing that and clearly there are some reputable companies.

**Senator ABETZ**—No.

**Senator MARSHALL**—It is systemic within a company.

**Mr Bowles**—Within that company, that could be true.

**Senator ABETZ**—It was not just one accident.

**Mr Bowles**—No, that could very well be true. Until all investigations are finalised, we cannot really land on that conclusion.

**Senator MARSHALL**—So that is one company for about \$1 million. Is it \$1 million in the total cost of the insulation or in terms of the subsidy?

**Senator BIRMINGHAM**—It would be pretty close to being the same.

**Mr Bowles**—The subsidy, yes; the payments from the Commonwealth, yes.

**Senator ABETZ**—That is why it was such a clever scheme.

**Senator MARSHALL**—Thank you.

**Senator FISHER**—What sort of progress reports are being issued by KPMG in respect of its consultancy?

**Mr Bowles**—A number of my staff meet with them regularly and the early phases were around the fraud frameworks and how we need to gather the data to get into the right category so we can understand. There is a range of indicators that we can actually use out of the data that we have. We can arrange in different ways to try to understand what might or might not have happened.

**Senator FISHER**—Is there any formal documentation resulting from that? For example, do you advise the minister's office? Does KPMG issue reports that go to the department or to the minister's office along the way?

**Mr Bowles**—Not at this stage. They are still in their data gathering phase. Again, a forensic audit is quite a detailed process and nobody likes to necessarily put everything out there until they are very clear on where this might be heading.

**Senator FISHER**—At what stage then do you expect that KPMG will deliver, what, its first report, preliminary report, interim report?

**Mr Bowles**—As I said, we are looking in July for a comprehensive understanding from their perspective of what they believe the fraud issues are within the program.

**Senator FISHER**—You are not expecting July to be the end of it in terms of KPMG's consultancy and the work they have to do?

**Mr Bowles**—At this stage I do not see the KPMG audit going past there. That does not mean we do not then go onto the next level, the process around investigations and referrals and whatever else might come out of that process.

**Senator FISHER**—To implement what might be their extensive recommendations, I suppose.

**Mr Bowles**—What might be their recommendations, that is correct.

**Senator FISHER**—In respect of referrals for example to the AFP, I imagine there would be reports issued for those.

**Mr Bowles**—Not at this stage. Once they refer to the AFP, the AFP take the lead on those cases.

**Senator FISHER**—Are you verbally told that that has happened by KPMG?

**Mr Bowles**—This happened prior to KPMG and the department referred but, once we referred, that happened.

**Senator FISHER**—Thank you; I misunderstood that. Talking about fraud and the potential for double dipping or double payment in respect of insulation having been installed in a ceiling, in response to a question on notice asked in another place I have been informed that, as of February, 961 cases then had been referred, as was the arrangement back then, to the department of environment for investigation. These were cases where an installer was seeking payment for a job but was told they could not be paid because someone had been there first, that is, someone else had allegedly insulated the ceiling. There are a range of scenarios in which that could eventuate, aren't there? Could you remind us of those and update the committee as to in how many instances there are installers seeking payment for those sorts of premises?

**Mr Bowles**—The process is not effectively double payment as you mentioned. It is about the identification of duplicate entries and that does not mean companies are necessarily either trying to rip us off, as you said. But the process of—

**Senator FISHER**—Indeed, the non-payment of the second person might be to prevent double payment for the same premises.

**Mr Bowles**—The process we go through is that we check the work order number, the address and the name of the individuals. If all of them come up as being the same they are considered a duplicate payment. Generally speaking what we have found is all that is is that the company has submitted the same thing twice, generally by mistake and poor accounting, quite frankly. That is what we have found in those cases. That is overwhelmingly the largest number of them that we have found.

**Senator FISHER**—As of this week, how many requests for payments have you had in respect of an address where you have a record that shows that a payment has already been made for that address?

**Mr Bowles**—I am sorry, are you talking about duplicate payments? Is that what you are talking about?

**Senator FISHER**—You might call it what you wish—

**Senator Wong**—If I could intervene, I think the confusion is what you have outlined as possibly one subset, I suppose, of the scenarios where a duplicate payment could be generated; there might be other explanations, as Mr Bowles has outlined.

**Senator FISHER**—The answer to my earlier question, which came I think from Medicare, outlined three situations in which there could be a claim for a payment at an address in respect of which there is a record that someone else got paid. It talked about the residence insulated being one in a complex, which is understandable; where an installer lodges a claim for an incorrect address, which I think was one of the examples that Mr Bowles potentially effectively referred to; and the third scenario where more than one installer lodges a claim for the same address. The answer went on to say that those claims are referred to the department of the environment and, if the department of the environment subsequently approves, Medicare then processes the payment. It is as to the third category that I am asking. In how

many cases, as of this week, have more than one installer lodged a claim for the same address?

**Mr Bowles**—As I said before, there is a range of reasons and you detailed some of them. I do want to emphasise one of them. It is the clerical error that has everything the same including the installer, the name, the address and the work order. As I said, that is overwhelmingly the largest number, but we have in those categories seen 19,000 out of 1.2 million.

**Senator FISHER**—This is 19,000 cases of what?

**Mr Bowles**—Duplicate records against those categories. As I said, overwhelmingly the largest number are the same installer, name, address and work order number.

**Senator FISHER**—So you are suggesting some sort of clerical error?

**Senator Wong**—No.

**Mr Bowles**—Poor record-keeping, more likely.

**Senator ABETZ**—By?

**Mr Bowles**—By installers.

**Senator ABETZ**—Not the department putting it in twice.

**Mr Bowles**—No.

**Senator FISHER**—What is the factual consequence of that?

**Mr Bowles**—From a payment perspective there is no consequence to it because it actually stops because we do not pay a duplicate record. As I said, I could not give you the exact number but overwhelmingly the largest number are the ones that have those duplicates of the whole thing, which means generally speaking I would suggest someone has made a clerical error and submitted it twice. Obviously we do not pay the second one. It will not go through the system if two things are put in with the same information.

**Senator FISHER**—If that be correct and if the overwhelming number of the 19,000 claims is of that nature, had they been correct how many homes would have been insulated in total? I presume it would blow out your estimate of homes insulated somehow?

**Mr Bowles**—They cannot be correct if they are duplicate addresses, work orders and names.

**Dr Parkinson**—If all 19,000 were exactly duplicates and they were only duplicates then there would be 9,500 homes that had not been insulated in the—

**Senator FISHER**—So on what basis does the department know that it is the same installer making that claim?

**Mr Bowles**—We have records. If the installer does not have their name on it obviously they do not get paid, so we know who the installer is.

**Senator FISHER**—Okay. That is the overwhelming majority. Can you indicate the nature of the balance of the 19,000?

**Mr Bowles**—They could be things like duplicate work order or duplicate address and if they are in that category they go into our compliance investigations.

**Senator FISHER**—When you say duplicate work order, duplicate address, how is that different from the earlier scenario?

**Mr Bowles**—Because there could have been two different installers or there could have been two different issues. We monitor the same thing in different fields and in some cases that is what we will find. If we find that, we obviously do not pay it and they go into our non-compliance investigation process.

**Senator FISHER**—We are talking now about a minority of 19,000.

**Mr Bowles**—I cannot recall the exact number but my recollection is that it is the minority of that 19,000.

**Senator FISHER**—You might clarify that on notice.

**Mr Bowles**—Yes.

**Senator FISHER**—Let us presume you are correct. A minority of the 19,000 claims might relate to a situation where more than one installer has lodged a claim for the same address.

**Mr Bowles**—Yes, that could be correct. That could be one of the reasons.

**Senator FISHER**—Are you able to tell the committee in how many cases that has happened to date?

**Mr Bowles**—That is the minority figure that I just said I do not have.

**Senator FISHER**—Can you please inform the committee on notice as of more recently than February this year, as of this week, how many cases there are where more than one installer has made a claim for the same address?

**Mr Bowles**—Yes.

**Senator FISHER**—In terms of the vast majority of the 19,000 payments—so they result in a non-payment, if you like—what other sorts of cases are there of installers not being paid, and what is happening to resolve those claims?

**Mr Bowles**—It could be a range of things, manual payments for instance. We have received a number that are incomplete and in some cases illegible, which makes it very difficult for us to complete those claims. They go through to Medicare in the first instance and Medicare, if they can actually decipher who to contact, will contact those people and follow up with them.

**Senator FISHER**—Are installers who are seeking payment being informed of what is happening with their claim? How are they being informed of what has happened?

**Mr Bowles**—As I said, if there are follow-up claims in the Medicare system, and this goes into the Medicare system, they actually do a follow-up with the installer companies to try to actually decipher or complete the paperwork to make sure that it is a complete and correctly rendered claim.

**Senator FISHER**—Are installers being told a reason why they are not having their claims paid?

**Mr Bowles**—If they fit into that category Medicare will ring them and say, ‘You have not put this in,’ or ‘You have not put that in,’ or ‘I cannot read your work order number,’ or whatever, and it is corrected. If they are corrected and they are then considered to be a correctly rendered claim they are then into our world. We do our compliance check. We either then do not pay them because they have some compliance problem or we send them back to Medicare for payment.

**Senator FISHER**—How much paperwork is involved for an installer seeking payment?

**Mr Bowles**—When the program closed the process was to submit a manual claim. That has been the extent of it. Medicare received a large number of claims in the first instance at that particular time and they worked through that process. As I said, there are a number that we are struggling with because we cannot read them or there is not enough information there to make or consider it a correctly rendered claim. Therefore, we cannot pay it until we get to a point where we have that information. As I said, when we get that information it goes through our process for compliance checking and then it will go from there.

**Senator ABETZ**—To make the claim, is it just a one-pager?

**Mr Bowles**—They have to submit the evidence of the householder’s signature as well. Off the top of my head I could not tell you because it was a long time ago when I first saw it.

**Senator FISHER**—There must be some standard paperwork.

**Senator ABETZ**—That is what I was getting at. Is there a standard form?

**Mr Bowles**—There is a standard process that it goes through, yes.

**Senator ABETZ**—How many pages is it? Does anybody know?

**Mr Bowles**—I could not tell you off the top of my head. I did see it 11 or 12 weeks ago or whenever I started, but that is a long time ago when you are dealing with this.

**Senator FISHER**—Can you provide us with copies of the standard paperwork?

**Mr Bowles**—I do not think that I would be prepared to do that, at this stage, on the basis that would breach privacy issues. There is a whole range of private details on them.

**Senator FISHER**—In generic form.

**Senator ABETZ**—A blank.

**Dr Parkinson**—You were asking for a blank form?

**Senator FISHER**—Yes, indeed.

**Mr Bowles**—I can take that on notice to provide that.

**Senator FISHER**—I would like the generic form or forms that are required to be filled out.

**Senator ABETZ**—We do not want to become super police.

**Senator FISHER**—Can you give us a breakdown month by month of how many companies have been deregistered? We got a tally as of 24 March this year, but I presume you will be able to inform the committee of how many have been deregistered month by month since that time?

**Mr Bowles**—I do not have a record of that because that is managed by Medicare. You may have got that from Medicare at the time.

**Senator FISHER**—It did come from Medicare. Does your department need to know who has been deregistered?

**Mr Bowles**—Yes, we would, but we do not keep a running total on something that is happening in another department at the moment.

**Senator FISHER**—Medicare must be keeping you informed of who is deregistered and when.

**Mr Bowles**—They will tell us who is deregistered, but I do not necessarily have a month-by-month total. I could probably take on notice the total number that have been deregistered.

**Senator FISHER**—Medicare would have to be giving you a running total of some sort.

**Mr Bowles**—As I said, the easiest way to find out would be to ask Medicare.

**Senator FISHER**—I am asking your department. Could you provide the committee with the advice that has been provided to you by Medicare from time to time relating to which companies have been deregistered and when and why?

**Mr Bowles**—I can take that on notice. I am not sure that I want to go down that pathway. I can give you the numbers or I can liaise with Medicare if I need to, but I am not sure it would be an appropriate thing to give you the names or places.

**Senator FISHER**—Sorry, I accept that. I would like the numbers of so-called installers who have been deregistered, the times at which they have been deregistered and the states in which they have been deregistered.

**Mr Bowles**—I will take that on notice but, as I said, we are not the keepers of that information. I can liaise with them.

**Senator FISHER**—I am asking you for the information that Medicare has sent to you to those ends from time to time.

**Senator Wong**—We have taken the question on notice. It may be that we will need to refer the question to Medicare. As I understand Mr Bowles's evidence, it is not our document. We have taken it on notice and it may be that we transfer it.

**Senator FISHER**—Thank you. I would like to ask about the Foil Inspection Safety Program, or FISP.

**Senator MARSHALL**—Before we move off foil, I have a couple of questions on the fraud issue, if it is appropriate to do that now while we are on that subject.

**CHAIR**—Yes.

**Senator MARSHALL**—In terms of the forensic audit, can you explain how that draws out the necessary information to build a case?

**Mr Bowles**—The nature of a forensic audit is such that there are certain evidence gathering protocols that you need to be aware of; for instance, if there was a problem with a particular company who installed insulation in a roof. It is one thing that we might say, 'You didn't do this or you didn't do that', but these forensic auditors are trained in specific techniques. They



gather the evidence, store the evidence, make sure that it is not corrupted in any way and then put all of that together into a brief of evidence that would allow us to refer to either the Federal Police or whatever the appropriate body might be. It is not just as simple as the normal tick-and-flick, compliance-type audits. This is quite detailed. It is important to us that we get photographic evidence and a whole lot of other evidence around what might or might not have happened. In essence, that is what a forensic auditor does when they are there. That could include desktop work or field work. They could go out and visit residences. It depends on what sort of activity they are trying to do.

They will also look at the data, the numbers of fields and the types of fields. They will try to flesh out whether there are any combinations that come up within the data that might indicate that there is a particular problem that could be in the population that they are looking at, and that data sensitivity becomes quite a job for forensic auditors. They keep going through all of these different processes to finally come up with the brief of evidence on an individual or numbers of individuals. Obviously we need to make sure that there are not others colluding to get the same outcome.

**Dr Parkinson**—I can add to that. The forensic auditors systematically interrogate all of the information to get it to a point where, if there appears to be a priori evidence of fraud, an entire brief, in a sense, could be handed to the investigative authorities, in this case the AFP, and they can take that and begin work, rather than us contacting them saying, 'It looks like we have a dodgy one here.' The AFP is not going to engage at that stage. To build a brief of evidence that is sufficiently robust for the AFP to be able to make an assessment on whether or not to proceed is a key role of the forensic auditors.

**Senator MARSHALL**—Is that the only remedy—either the AFP or the state or territory police? Are there other remedies available to the Commonwealth?

**Dr Parkinson**—They could provide evidence to state regulatory bodies if a particular set of circumstances arose.

**Senator MARSHALL**—Are we able to recoup moneys already paid to those companies that are either under investigation or ultimately have been proven to have committed fraud?

**Mr Bowles**—Yes. We have the capacity to do that.

**Senator MARSHALL**—Have we recouped any?

**Mr Bowles**—We have recouped money already. I do not have the figure, but there are a number of people that we have approached and received money from, and a number of people have volunteered money back because they did things in error. There are a number of reputable companies out there who, if they spot an error, will remedy it.

**Senator MARSHALL**—After it has been identified.

**Senator FISHER**—Can you provide the committee, on notice, with that amount?

**Mr Bowles**—Yes. I just do not have that figure off the top of my head.

**Dr Parkinson**—It is a relatively small figure.

**Mr Bowles**—It is not a huge figure, but from memory it is some hundreds of thousands of dollars.

**Senator ABETZ**—That is huge to me. Can you tell us how many volunteered repayments because they discovered an error, as opposed to you tapping somebody on the shoulder saying, ‘You’ve ripped us off; pay us back’?

**Mr Bowles**—I can do that.

**Senator MARSHALL**—Are we able to use the Proceeds of Crime Act 1987 to pursue those that have committed fraud?

**Mr Bowles**—I am not an expert in that field. I am not sure who looks it over. I would imagine it would be the Attorney-General’s Department.

**Dr Parkinson**—Yes. We would have to wait and see what the AFP concluded and if they moved to prosecute. As I understand it, the Proceeds of Crime Act only kicks in in the event that somebody is convicted of a crime. There would be a number of steps that you would have to undertake.

**Senator MARSHALL**—The reason I ask is that you said earlier that there have been a number of referrals, but each individual referral may have been for hundreds or possibly thousands of jobs. It may not be the situation where you are able to establish fraud being committed on 1,000 home insulations which they did, but you may get 100 and the assumption is that they have effectively they have been committing fraud across the floor. Are we able to withhold payment from those companies or recoup payments that we have made, or is it going to be knock ‘em down, fight it out, house by house and case by case? If they have defrauded the Commonwealth then the Proceeds of Crime Act might be a way to recover the money in totality, as opposed to trying to do it job by job.

**Mr Bowles**—I think there will be multiple ways that we can deal with this particular issue. Obviously if we have identified them beforehand then that would be very handy, because we do not pay until we are clear that they are compliant companies and then we would go forward and make the payments from there. If we had any suspicion of widespread fraudulent activity of a company, we would hold off.

**Senator FISHER**—How many payments have been made to companies that were deregistered under the scheme subsequent to being paid?

**Mr Bowles**—Do you mean payments to deregistered companies under the scheme?

**Senator FISHER**—Yes. In how many instances—for example, in respect of how many homes—were payments made to installers who were deregistered under the scheme subsequent to being paid?

**Mr Bowles**—I do not have the answer to that. It is entirely possible, feasible and right that we have paid a number of companies who were later deregistered for one reason or another. That they have been deregistered within the program does not necessarily mean that everything that they have done has been wrong. But I do not have the number of payments we would have made to deregistered companies.

**Senator FISHER**—What sort of investigations would you be undertaking to see whether what they did was wrong?

**Mr Bowles**—In our compliance activity, if we have done roof inspections and found that they habitually did something wrong, then that would be a reason to do that.

**Senator FISHER**—What assessment is done by the department to ready-reckon, if you like, the reasons for which a company may be deregistered, with the implications of that deregistration for the standard of any work that they might have done, and for which they might have been paid?

**Mr Bowles**—If a company has been deregistered, generally they have not abided by the terms and conditions of the program and that would be the reason, generally speaking, that these companies would be deregistered. It could be they did not—I do not know. Let me think.

**Senator FISHER**—Yes, but it may not be. It may be that they failed to comply with the standards required for the work?

**Mr Bowles**—That could be the case, but again, that would be on the basis that it was a systemic issue. Again, this is an industry that was largely unregulated, if you like, prior to this program, and so therefore a whole lot of different activities would have happened. But as far as deregistration, it can be voluntary as well. I think, from memory, there were a number that voluntarily left the industry.

**Mr Thompson**—There was a very large number of companies that chose to deregister, if you like, because they no longer wanted to comply with the terms and conditions. I think the largest exit of companies—and I am talking about the period now when the home insulation program was still running—from the registration list was when companies were asked were they willing to be named if they did not comply with terms and conditions, so they would go on a deregistered list. A large number of companies decided not to allow themselves to be named in that way and then left the register. Later, when the mandatory training requirements came into place, a large number chose not to meet those conditions and comply; therefore, by default, they were deregistered.

**Senator ABETZ**—Can you differentiate then between those that were deregistered and those that withdrew?

**Mr Thompson**—Yes, I think I would make that distinction, so I am talking about the period when the Home Insulation Program was running; I am not talking about the period since.

**Senator FISHER**—On notice, more comprehensively, could you provide the committee with a breakdown of the numbers of companies deregistered month by month and on a state-by-state basis and also a reason for that deregistration, which may be self-deregistration, as Senator Abetz said, or a range of other reasons to which you have referred, Mr Bowles?

**Mr Thompson**—I think we can provide the number of companies that were deregistered.

**Senator FISHER**—Month by month?

**Mr Thompson**—The reason they were deregistered—I think we can meet that—and month by month. We may have difficulty identifying the state because some of these companies operate nationally, so really it becomes a bit arbitrary about where they have done work.

**Senator FISHER**—We have previously had state based figures.

**Mr Thompson**—You have, that is right. I think we have identified some of the limitations around the state based figures, but that should be okay.

**Senator FISHER**—Can I confirm that you have taken on notice how many payments were made to companies that were subsequently deregistered and in how many instances that occurred? Can you take that on notice, please; and how many instances?

**Mr Bowles**—I am not sure we can do that or whether it is even appropriate, but I will take on notice and consider how we can deal with that particular issue.

**Senator FISHER**—All right.

**Senator Wong**—In that request are you anticipating inclusion of what Senator Abetz described as ‘the self-deregistration’?

**Senator ABETZ**—Withdrawal.

**Senator Wong**—Withdrawal.

**Mr Bowles**—Yes, withdrawal.

**Senator Wong**—Are you intending that they be included in the remit of this question, or not?

**Senator FISHER**—Yes. I think by Mr Bowles’s definition, but you may identify in how many cases they are.

**Senator Wong**—There are two issues; one is the issue which I think Mr Bowles has taken on notice, which is how many have withdrawn—are we using that phrase? This is for the scenario that Mr Thompson outlined; yes?

**Senator FISHER**—Yes.

**Senator Wong**—Correct?

**Mr Bowles**—Yes, that is correct.

**Senator Wong**—Can I finish, because I had not got to the second bit? The second part is you have asked a range of detailed questions in relation to what I understand to be the second category of deregistration; I just want to confirm that is the way you have split it up.

**Senator FISHER**—I have.

**Senator Wong**—Okay.

**Senator FISHER**—But in respect of the payments that have been made to companies that are subsequently deregistered, I would appreciate the full range of information, including those companies which have deregistered themselves.

**Senator Wong**—No, you see that is inconsistent with what I just clarified.

**Senator FISHER**—That is what I am seeking.

**Senator Wong**—We will take it on notice.

**Dr Parkinson**—If I could—and I stand to be corrected by my colleagues—part of the hesitation Mr Bowles has in providing some of this information is if I was a firm I could

consciously contact the department and say, 'I wish to withdraw from the list', or I could consciously make the decision when I look at the requirements that I have now got to meet to say, 'I am not going to put the paperwork in', or I could actually be deregistered by a conscious act of the department. The first and the third quite clearly are quite different situations. We are at risk of imputing behaviours to that middle group when they actually voluntarily withdrew, to use Senator Abetz's terms, but because of the way in which the data is collected it may look as though they did not respond; hence we deregistered them. I think there is a real danger here.

**Senator FISHER**—I understand that.

**Mr Bowles**—I may add, though, that deregistered in the manner that Mr Thompson was talking about and putting their claims against that is not necessarily a problem—the fact that these companies were paid. And I want to make that very, very clear; because a company chose to withdraw from the program or voluntarily deregistered—whatever language we use—at a particular point in time does not indicate that the payment to those companies is inappropriate.

**Senator Wong**—I invite you to consider, in the light of that response, whether or not the remit of your question is reasonable. If you wish us to take it on notice we will be flagging that. The department will obviously take advice and consider a range of issues, including resources, but also other legal issues in terms of whether we provide that, but you are seeking a great deal of detailed information regarding payments in addition to numbers—and I understand you have sought that—in relation to companies who have withdrawn from the program.

**Senator FISHER**—I am not seeking the identities of—purely numbers—but no doubt the department, in your answer, will include the appropriate cautions that should be borne in mind with the use of the information. I would have thought you would include in your answer exactly the limitations that should apply to the use of the information bearing in mind the concerns you have expressed. I would welcome that set out in a logical form.

**Mr Bowles**—Absolutely, I would. The number you are after—maybe I am reading your mind here but—is of the ones that the department has deregistered? Is that correct?

**Senator FISHER**—Month by month from the commencement up until now, deregistered from the scheme.

**Mr Bowles**—From the scheme, obviously only up until the scheme was closed on 19 February.

**Senator FISHER**—Yes.

**Mr Bowles**—Yes, I will take that on notice. I will put that caveat back in. We will get advice, because I do see a significant difference to anyone who we may have deregistered and any company who voluntarily got out of the scheme or did whatever, because a number of companies did that for their own reasons as well, and they will all get lumped into the same thing if we are not careful, and I am very conscious of that.

**Senator FISHER**—When you say, 'We have deregistered', have you deregistered anyone since the cessation of the scheme?

**Mr Bowles**—No, obviously not. The scheme closed; I was using the royal ‘we’.

**Senator FISHER**—That is right; I was just clarifying that. Thank you.

**Senator Wong**—‘We’ in that means, I assume, the Commonwealth?

**Mr Bowles**—The Commonwealth.

**Senator Wong**—There is a clarification of some evidence that is required.

**CHAIR**—Yes, Dr Parkinson, you go.

**Dr Parkinson**—Senator Marshall had asked a question in relation to the Proceeds of Crime Act. In fact, we, that is the department, in an installer advice note which was sent out to all installers on 6 May this year advised:

We can advise that criminal prosecution for serious fraud leaves the way open for recovery of debt through further civil action or seizure of property under the provisions of the Proceeds of Crime Act 1987.

So, it reaffirms your point, Senator Marshall.

**Senator MARSHALL**—I was wondering if you could just advise me, too, about the sorts of fraud that we have uncovered, without going to the individual cases, that you either referred or you know are under investigation. We know there are a small number of potential, fraudulent duplicate claims you have told us about—a small number that are not clerical errors—but what other sorts of fraud, what categories, have we actually seen through this program?

**Dr Parkinson**—We will take that on notice, although I would not want to do anything to suggest the type of fraud that may have been a motivation for the three cases that have been referred to the AFP. If you accept that, we will see what we can do.

**Senator MARSHALL**—I do not want to jeopardise in any way the proceedings that you may have on foot—that is not the purpose—but are we seeing just claims put in for no work done or—

**Dr Parkinson**—Yes, we can tell you, without putting numbers against it, the types of things that lead to causes of concern, but can I come back—Mr Bowles wants to clarify something we said earlier, too—to Senator Fisher and to the questions that you posed which we said we would take on notice. We will take them on notice; we will look at them carefully in terms of the amount of resources it will require us to divert to them. I am sorry, but I cannot guarantee that I will actually provide answers because at the moment we have a very large agenda of work that needs to be done in this area and we have limited resources. If we can satisfy your requests without significant diversion of resources, we will endeavour to do so, but if it looks as though it is a very large diversion of resources, I hope you will understand if we come back and say to you that we do not think we can do that.

**Senator FISHER**—I would appreciate explanation as to why the resources in that circumstance and the committee would consider, I think, the next step from there and we may well accept the explanation, but I would like some sort of substantive explanation, which we would, of course, consider.

**Dr Parkinson**—I fully understand that.

**Senator FISHER**—It is most important to get the mess mopped up rather than try to explain the mess.

**Dr Parkinson**—We need to be able to explain and learn from it, but I would note that we have had Hawke, we have had other reviews, we have got the ANAO, we have got a number of ombudsman's reviews, we have got your Senate references committee and the like, and as important and as critical as every one of those is, every time we take on yet another set of issues like that we are diverting resources away from dealing with the problems that we were tasked by the government to deal with.

**Senator Wong**—Hence, my request to you, Senator, to consider the remit of the questions on notice you are putting, but I understand you were not interested in doing so.

**Senator FISHER**—I am attempting to.

**Mr Bowles**—I would just like to talk about the recovery issue that I think Senator Marshall raised. We have redeemed \$428,934 from approximately 204 businesses voluntarily.

**Senator ABETZ**—Was that voluntarily?

**Mr Bowles**—Voluntarily. We ring them with an issue and they will voluntarily give us the money back.

**Senator ABETZ**—That was on your initiative as opposed to a company determining that they made a mistake?

**Mr Bowles**—My understanding is that it is a mixture of both; we will not be able to determine the difference because of, again, clerical errors happening—there are a lot of clerical errors in this business, I have found.

**CHAIR**—Is that it for the Home Insulation Program?

**Senator FISHER**—No, Chair, if I may.

**CHAIR**—No, I thought you had indicated that.

**Senator FISHER**—No, sorry, just that bit of it. How many installation companies have made claims and are awaiting payments under the scheme?

**Mr Bowles**—I do not know the number of companies. I mentioned earlier the number of claims was just over 50,000; that was the number of claims. I do not know specifically the number of companies.

**Senator FISHER**—That is like 50,000 homes, essentially?

**Mr Bowles**—That is correct, and that is for a variety of reasons; it is whether they are incomplete, illegible, they are held for compliance, or they are those duplicates I talked about before. Part of the 50,000-odd is the 19,000 duplicates, for instance.

**Senator FISHER**—Can you inform the committee, on notice, how many companies that involves with amounts of money outstanding?

**Mr Bowles**—I will endeavour to do that. I will have to work with Medicare to do that, but I will endeavour to do that.

**Senator FISHER**—Is there anything that an individual company can do to expedite their claim for payment; swing it around the other way? What can they do to help themselves?

**Mr Bowles**—We are working extremely hard to ensure anyone who deserves and it is appropriate to pay, gets paid. We have put through an extremely large number of payments over the last couple of months. We are down, as I said, to just over 50,000; 19,000 are duplicates and they will not be paid, obviously. We probably have a number of compliance issues and we have probably got about 12,000 or 13,000 claims that have to be further followed up through the Medicare system because they are illegible or incomplete.

**Dr Parkinson**—Senator, just to go to your question, ‘What can firms or installers do?’ There are telephone numbers that they can ring and from that get information on what is necessary to fix their claim forms.

**Mr Bowles**—Any company who is owed money, will ring us—trust me; as Dr Parkinson said—and when they do, we work through with them not only on the phone but we are face-to-face with a range of companies and if they provide evidence that they have done the work and we can complete the forms, we will immediately turn them through the system and try to pay them. In fact, we have done a significant number of those over the last little while.

**Senator FISHER**—That is helpful. In respect of installers who may consider themselves out of pocket as a result of the scheme, has the department or the government had any legal advice as to the prospect of installers or any other parties getting caught up in the Home Insulation Program and lodging a claim for compensation of some sort?

**Mr Bowles**—The department has received a couple of claims that are handled by Comcover; they handle claims on behalf of the Commonwealth.

**Senator FISHER**—Are you able to identify the nature of those claims?

**Mr Bowles**—Obviously, I do not want to go in to any detail, but broadly there are some importers and I think there are a manufacturer and an installer. There are only a small number; I think that number is five or six.

**Senator FISHER**—How many actions are arising out of the five or six claimants?

**Mr Bowles**—There are five or six.

**Senator FISHER**—With five or six claimants—

**Mr Bowles**—Individual actions, yes.

**Senator FISHER**—Thus far, there is no what may be described as class action; there are no actions that have been taken by a group of people in respect of the program?

**Mr Bowles**—There are none that I am aware of other than what I read in the paper.

**Senator FISHER**—Has the government laid any preparations for the prospect of the realisation of what you have read in the paper?

**Mr Bowles**—I have not; that would probably be best asked to Comcover.

**Senator FISHER**—If there were budgeting to provide for the prospect of some sort of liability in respect of a claim, would the department know about it?



**Mr Bowles**—The department would likely know about it, that it is an issue for Comcover and how they wish to handle the claims. At this stage, that is all they are and it will be up to Comcover to decide whether or not the information provided by the person putting the case together is sufficient.

**Senator FISHER**—So, be there settlement or a successful legal action, you say you would know about it; do you know about any budgeting provision in respect of payment of claims, be it by way of settlement or—

**Mr Bowles**—I have had no discussions on that issue.

**Senator FISHER**—So, there is no money, of which you know, to make any such payments?

**Mr Bowles**—We have the Home Insulation Program budget, which is what we went through a little earlier. That is it at this stage; there are, as I said, I think five claims.

**Senator FISHER**—You said, ‘five or six’.

**Mr Bowles**—Five or six claims—I am trying to think. I think the sixth one was more someone asking us to pay them as opposed to a claim against us. I have got a lot of things up here at the moment, sorry. As I said, we cannot conclude even with the five or six that may be there that their case is valid at this particular point. That is an issue that Comcover will deal with.

**Senator FISHER**—If there were to be a payment, would the money come from the contingency funds of which we were speaking earlier or from somewhere else? Where would the money come from?

**Mr Bowles**—That is a decision for government when we get to that particular point.

**Senator FISHER**—With regard to the cash payment of some 15 per cent value of leftover insulation that companies can seek if companies have insulation lying at hand and now are potentially idle, why was 15 per cent chosen?

**Mr Bowles**—You are referring to the Insulation Industry Assistance Package?

**Senator FISHER**—Yes.

**Mr Bowles**—Just let me get my little note here somewhere. Fifteen per cent was a figure that was considered to be, effectively, the cost of holding insulation and we used that as a basis for the establishment of the Insulation Industry Assistance Package \$15 million.

**Senator FISHER**—Why was the closing date of 4 June chosen for seeking assistance?

**Mr Bowles**—No particular reason, other than we need to have a date that we start and a date that we finish the program.

**Senator FISHER**—I guess it may be rather difficult for insulation companies who will not necessarily know whether seeking, and acceptance of, the 15 per cent compensation arrangement would then prejudice any legal action they may contemplate taking against the Commonwealth. Would seeking, and then acceptance of, the 15 per cent compensation arrangement somehow prejudice or prevent an installer from taking legal action against the

Commonwealth in respect of losses they may consider they have suffered from the Home Insulation Program?

**Senator Wong**—In asking that question you are actually asking Mr Bowles, effectively, to give some legal advice to installers, so—

**Senator FISHER**—So—

**Senator Wong**—if I can finish—in relation to your previous question, it is reasonably standard practice for governments to set opening and closing dates for these sorts of packages. It is not an unusual way of designing an assistance package.

**Senator FISHER**—I understand that. Do the terms and conditions, for example, of the 15 per cent compensation arrangement involve a condition that if an installer seeks and accepts the 15 per cent compensation arrangement then they forgo some, or any, rights they may otherwise have to take legal action against the Commonwealth?

**Mr Bowles**—My recollection is no, but I will just clarify that in a second.

**Senator FISHER**—Thank you.

**CHAIR**—Perhaps we will have a tea break; one more question.

**Senator FISHER**—I have almost finished this bit. Whilst advice is being taken as to that question—

**Mr Bowles**—We do not believe so. We can confirm that, but it is not something that has come to my attention in dealing with the program, so it is not something I focus on, so I imagine that it did not happen that way but I will take that on notice.

**Senator FISHER**—Is there a standard form that an insulation company signs upon receipt of this 15 per cent payment and, if so, perhaps the committee could be provided with a copy of that form?

**Mr Bowles**—It is being administered by AusIndustry, so it is probably a better place to be in the whatever the department is there—DIISR.

**Senator FISHER**—Thank you.

**Senator MARSHALL**—Can you tell us why it is being administered by AusIndustry?

**Mr Bowles**—I suppose AusIndustry are an organisation that deals with programs like this and it was an appropriate place. It is about industry assistance; they belong within the industry and innovation department, so that is basically why.

#### **Proceedings suspended from 9.30 pm to 9.46 pm**

**Senator LUDLAM**—I want to talk about building codes specifically as they relate to energy efficiency. Some of this will go to COAG. We spoke briefly in the break about where I am heading. The 2010 update to the Building Code of Australia specifically relating to energy efficiency was not implemented by Western Australia. They pleased special treatment. What was your response to that? Have you received any feedback of that kind from any other states or territories?

**Mr Thompson**—My understanding is that all states have signed up to the changes in the building code. Two states, Queensland and South Australia, intend to move to a six-star

requirement this year. WA and Victoria have indicated that they will meet the requirements on 1 May 2011. The remaining states have not indicated at what stage in the allowed 12-month introductory period they will adopt the requirement.

**Senator LUDLAM**—So, it is not really accurate for me to say that WA was the outlier. It sounds like—

**Mr Thompson**—Not from the information I have.

**Senator LUDLAM**—What was the Commonwealth's expectation? Was there a benchmark that was set that most of the country is failing to step up to, or is that misreading the situation?

**Mr Thompson**—I understand it is a misreading. The information I have is that the National Strategy on Energy Efficiency agreed by COAG in 2009 reaffirmed the Australian government's commitment to raising the minimum energy efficiency of new homes, and then the Building Ministers Forum considered the final decision regulatory impact statements on commercial and residential energy efficiency measures and agreed that these be included in the May 2010 update of the Building Code of Australia. States were then allowed 12 months to indicate when they would introduce that.

**Senator LUDLAM**—On those figures that you just quoted to us, what is the earliest that the entire country will be on board with six star or do we not yet know that?

**Mr Thompson**—We do not yet know that. We do not know the earliest because a number of states have not indicated at what stage—

**Senator LUDLAM**—Let us just spell that out for the moment. Who has not come to the party at all?

**Mr Thompson**—New South Wales, ACT, Tasmania and the NT. I would not characterise it as not coming to the party. They have just not indicated at what stage in the allowed 12-month introductory period they will adopt the requirements. I do not think they are being recalcitrant.

**Senator LUDLAM**—You do not think they are?

**Mr Thompson**—No, that is not my information. It is not about recalcitrance.

**Senator Wong**—I think there is a distinction. It is that they have not at this point indicated at what stage they will, rather than that they have said they will not.

**Senator LUDLAM**—WA's position initially was that they would not. At least there has been some movement in that regard. Sticking briefly with WA and their claims that the additional anticipated cost of housing would make moving to a six-star system unjustifiable, do you have any information at all about what moving to a six-star rating will add to the construction cost—keeping land out of the equation—of the average Australian home?

**Mr Thompson**—No, I do not have information about the impact on the average house.

**Senator LUDLAM**—Do such numbers exist, or do you have to break it down by climate zone?

**Mr Thompson**—I would have thought that there was some work done in the context of the decision RIS that building ministers considered, which would cover that.

**Senator LUDLAM**—Are you able to provide that? Is that going to be unduly onerous to provide that material to us?

**Mr Thompson**—I do not think it will be. If it is I will let you know—

**Senator LUDLAM**—I will hear from you again.

**Mr Thompson**—That is right.

**Senator LUDLAM**—Maybe this will fall into the same category—we could talk about water and other things but as to energy in particular—moving from a four-star or five-star to a six-star rating, what are the payback periods involved, at which point you are in the black?

**Mr Thompson**—I do not have detailed information about when the payback period gets into the black. My understanding is that it is typical for regulatory impact statements to use a 20-year payback period as a working assumption in the models.

**Senator LUDLAM**—In Western Australia there is a report in the press, in the *Financial Review* that ran on 23 April this year about a nine-star eco-rating for a Western Australian house. It was built by Right Homes in a community planned by Multiplex Living. It is nine star. Is that a project that you are aware of? What can you tell us about how the Commonwealth, if at all, incentivises builders and planners to move well beyond six stars towards what is actually possible?

**Mr Thompson**—It was not a project I was aware of before we talked just before the break, but having talked to colleagues in the break I understand that we were aware of that home—not in detail—but also of other building projects in other states as well, and I think there may be one in Melbourne, which go beyond the six-star rating in the building code that has just been described.

In terms of what the Commonwealth is doing to promote that sort of extension into the building code—if I can use that term—there is another measure under the National Strategy on Energy Efficiency where COAG agreed to identify future pathways for increasing the stringency of minimum energy efficiency standards in a nationally consistent, clear, predictable and systematic way. Part of that is about more consistent use of metrics and rating tools. It is also about trying to look not just in an ad hoc way at how we would increase ratings by one star or at different aspects of buildings and improving their energy efficiency performance and other aspects of their environmental performance but at how we can develop some timelines, some staging, for improvements in the building code. The department—not me personally but colleagues of mine in the department—are leading that work and are working with the states and territories to progress that measure. There have been discussions this year—in fact earlier this month—on the process by which that can be progressed. I understand that is underway.

**Senator LUDLAM**—You have just given us a bit of a sketch of work in progress. When would you be in a position to provide for us some kind of documented progress report on where that process is going? Given that it looks like it has been very difficult to drag the states and territories to the table even for six-star building efficiency, when, for example, might we start talking about seven? I should just say that the nine-star rating that they have used for this place is not a NatHERS rating; it is a DEWHA rating system out of 10. So this place is nearly

as good as it is possible to get. Given that we in Australia can already build these places for a very small fraction more than the expense of a standard home, what can we do to leapfrog some of the delaying tactics that we have seen so far from the industry and from the states and territories in even moving to six?

**Mr Thompson**—I could not comment on that specifically. I think that the work I have indicated is underway will continue. I am not sure what the product of that work will be specifically—whether it will be a recommendation that we do go to seven stars or eight stars and in what time frame. I am not in a position at this point to say when that might happen.

**Senator LUDLAM**—I probably asked you about five questions in a row there, but the department has developed a 10-star rating system and we have companies building what look like nine-star houses for the cost of a regular home—

**Senator Wong**—I am not sure that is correct. I am not sure that your assertion about cost is correct. I do not have anything in front of me on this issue, but since I was given responsibility for this area I have had a number of interactions with stakeholders, including a number of builders. What you are saying does not accord with my recollection. I think you have asked us questions about cost. We can look at the nine-star issue, too, but I just caution you on that assertion. It does not accord with my recollection.

**Senator LUDLAM**—I am quoting from a piece that ran in the *Financial Review*, page 27, on 23 April this year. I am not going to get into a debate about costs now, but that is just for your reference. The builders believe they could construct it for two per cent to five per cent more than a standard home, not including land costs and so on, which would disappear over the life of the home and which is why I was asking about payback periods before.

**Senator Wong**—Why don't we take that on notice, because unless Mr Thompson has those figures in his head—

**Mr Thompson**—No, I do not.

**Senator Wong**—He does have a lot in his head, but we will—

**Senator LUDLAM**—I will even wave the article at you, if that will help. My substantive question—not to nitpick about the costs—is: are we going to spend 20 years arguing with states and territories to get to seven and then eight when we have a perfectly good 10-star rating system which people could build to today? Could you outline that for us in as much detail as you are able to on notice? The sort of work that you are engaged in at the moment sounds extremely promising as to alternative pathways. Anything at all that you could provide us with would be helpful.

**Mr Thompson**—I would just add that the information I have in front of me indicates that there was a public discussion paper on this issue released earlier this year and that submissions closed on 7 May. I do not know whether you have seen that, but that may provide some of the information.

**Senator LUDLAM**—Thank you. I will leave it there.

**Mr Bowles**—I just want to go back to the Insulation Industry Assistance Package. You asked a question about whether people give away their rights. The answer is no, they do not

give away their rights by getting the 15 per cent of their inventory holding. We have downloaded a form for you and I will hand that over.

**Senator FISHER**—That is helpful and I am sure it will be reassuring to many of the companies contemplating their future. How much insulation has the Commonwealth purchased under the scheme?

**Mr Bowles**—The Commonwealth is not purchasing insulation. The funding is effectively a grant to the company based on their holdings—how much they are holding. They have a certified accountant who will verify the amount of holdings and then, according to the program guidelines, they get whatever amount they are due, with a cap of \$500,000. They have to have a minimum holding of \$5,000 worth.

**Senator FISHER**—For those companies who are—I am sure you would understand—basically caught between a rock and a hard place with insulation they cannot use and insulation they cannot sell they may get some assistance under this scheme, but many of them are of the view that it will not put them back to where they would have been. In fact, were it not for the scheme they are essentially in between a rock and a hard place. Firstly, is there anything else the government is considering doing to help? Secondly, what do you expect installers to do with insulation they have at hand that they essentially cannot use?

**Mr Bowles**—The government has already announced the insulation workers assistance package of \$41 million, and \$15 million for the industry assistance package. That is a total of \$56 million. The best thing for the insulation industry is to get them back into work and that is what we are doing with our programs.

**Senator FISHER**—Back on its feet.

**Mr Bowles**—That is what we are doing with the programs. Minister Combet has made a number of statements about this issue, and established long-term, well-respected companies will have the ability to play in this space.

**Senator FISHER**—Do you know of any instances of insulation being dumped?

**Mr Bowles**—I do not know of anything being dumped, personally. It is one of the things that we are conscious of in any of the programs that we are looking at. For instance, we have made as part of the program how people get rid of foil and the like. We are conscious of that, but I have not heard of any stories about people dumping. That is not to say that is not happening.

**Mr Thompson**—I can add that before the Home Insulation Program closed there were some reports of dumping.

**Senator FISHER**—Indeed. I was about to raise those.

**Mr Thompson**—The program guidelines clearly stated that installers must follow all state and territory laws and they include laws on illegal dumping of products.

**Senator FISHER**—Do you have any information as to the extent of what you refer as illegal dumping of insulation?

**Mr Thompson**—No, I do not have information on that. During the life of the program there was anecdotal evidence and a couple of complaints made.

**Senator FISHER**—That information will essentially be at the hand of local government authorities rather than the department. I understand that.

**Mr Thompson**—That is right.

**Senator FISHER**—I have a few questions about the FISP and the HISP. With the Foil Insulation Safety Program, how many homes have you identified with foil insulation?

**Mr Bowles**—Around 50,000.

**Senator FISHER**—Have all those homes been sent letters telling them about FISP?

**Mr Bowles**—Not at this stage, but that is the intent of the program. Obviously we do not want to send 50,000 letters out at once, but we have a deliberate program that we will roll out and each home will be contacted to make a time.

**Senator FISHER**—By when will they all be sent letters?

**Mr Bowles**—I do not have a specific date, but at the moment we are at the phase where our brokers, PwC and UGL, have been in the market looking for electrical contractors. That closed last Friday, 21 May and we will evaluate those over the next little while. We would hope that we would have that complete in early June, but obviously subject to contract negotiation. Once we have the number of electrical contractors required we will start to get those letters out to people.

**Senator FISHER**—How many are required?

**Mr Bowles**—From the assessment that we have made we are potentially looking at around 760. They are electricians and there will be two people per job.

**Senator FISHER**—It sounds like a precise assessment—760.

**Mr Bowles**—We are precise in this business.

**Senator FISHER**—Can you provide the committee with a copy of the letter that you are sending to homeowners with foil insulation? I presume it is a standard letter.

**Mr Bowles**—It will be, but until we are ready for it to go out I would not want to do that.

**Senator FISHER**—Once it is ready can you do that?

**Mr Bowles**—Once things are ready we will do that.

**Senator FISHER**—Thank you. How many homes with foil insulation have already had safety inspections done?

**Mr Bowles**—We have done safety inspections on 23,200-odd.

**Senator FISHER**—That is almost half.

**Mr Bowles**—Almost half have had inspections already. That is correct.

**Senator FISHER**—That leaves some 26,800. Is that roughly right?

**Mr Bowles**—That sounds about right.

**Senator FISHER**—What are your time frames for completing the inspections of the remaining almost 27,000 homes with foil?

**Mr Bowles**—We have done 23,200-odd safety inspections. Not all have had their insulation removed. We will obviously offer that to them as well. We want to make sure we are equitable in this program. To get to 50,000, and estimating around 760 electricians, two persons per job, we estimate it will take around six months.

**Senator MARSHALL**—Are you able to take us through what the program is actually doing?

**Mr Bowles**—Yes.

**Senator MARSHALL**—You talk about the safety inspections, but it is more than that. Can you complete the picture of what the program is doing?

**Mr Bowles**—Yes, definitely.

**Senator FISHER**—That was my next question.

**Mr Bowles**—Basically two electricians will turn up at a residence after having booked a time. The first one is obviously a qualified electrician. The second one is at least a minimum of a third-year apprentice electrician. We have insisted on two, with one obviously being an observer. They will test the roof to see whether there are any issues with that insulation. They will then turn the power off. At the same stage they are obviously talking with the homeowner as to what the best course of action is for them. Each case will be different; most houses are different. The different styles of roof obviously mean that the electrician needs to make an assessment. The homeowner will then request to have the foil insulation removed or, alternatively, based on that discussion with the electrician, could choose to have a safety switch installed. That will ultimately be the householder's decision. We have taken this position based on the advice of bodies such as the MEA and NECA. I will have to go to my notes if you want to know the exact nature of those organisations, but they are electrical associations. There is also the Queensland electrical safety organisation and the Electrical Trades Union.

**Senator BIRMINGHAM**—Say I am a householder and I turn to the electrician and say, 'What should I do? What's your advice?' Do you have a briefing that has been given to the electrician in those circumstances or is it up to each individual electrician's judgment?

**Mr Bowles**—We need to leave final judgments in the hands of electricians, because we are not out there with them. As I said, each home, roofline and installation will be different. Therefore, our view is to ultimately leave that final decision to the householder and the electrician in consultation about their particular circumstances. That said, we will have some advice around all of these issues.

**Senator MARSHALL**—What does a safety switch do?

**Senator FISHER**—Before we get to the safety switch—

**Senator BIRMINGHAM**—Can we let Mr Bowles finish what he was saying.

**Senator MARSHALL**—In terms of discussing the program and what it does, we are now at a point where a householder gets an inspection by a qualified electrician and someone else with electrical qualifications, and they get to make a decision as to whether to leave the foil in and have a safety switch or have the foil removed.



**Mr Bowles**—Or a safety switch, based on the advice of that electrician.

**Senator MARSHALL**—What is a safety switch and what does it do?

**Mr Bowles**—If we go to your house we will see a whole lot of switches. When there is an electrical problem in your house—and I am sorry, I am not an electrician so I will give you the layman’s version; say, your kettle is faulty—it will trip the switch and you can go down and then reset that by a little flick of the switch and it goes back on. It is unlike the old days—and some of the houses probably still have them—with the old ceramic things that you put in the wall with the fuse wire running through it. The more modern houses and any house that has had updated electrical work in recent times has safety switches so that it protects the homeowner.

**Senator FISHER**—As to the other scenario, if foil is removed, when the foil is removed does that necessarily remove all the staples that were used to affix the foil?

**Mr Bowles**—I answered a little earlier about staples. If there are staples in electrical wires, absolutely. The job of an electrician is to make it safe. That is what the program is about.

**Senator FISHER**—What is the process to ensure that there are no staples left in wiring?

**Mr Bowles**—Electricians have little gadgets that they test everything with. Again, I am a bureaucrat in the Commonwealth government and I am not an electrician, but, as I understand things, they have these little gadgets whereby they can test things. They can test leakage and all sorts of things with those. For instance, I mentioned earlier that when they go up they stick a gadget on the roof and it will tell them whether it is live, not live or whatever it is. They have all these little things that they can do that with.

**Senator FISHER**—Like you, I am not an expert in this. Has the government had any advice from those who may consider themselves to be experts that staples will still be left in roofs after the removal of foil and that those staples could continue to be live, even after the foil has been removed, and, further, that there is no technology that will ensure that all those at-risk staples are removed or have been removed?

**Mr Bowles**—You are obviously referring to a newspaper article that I saw.

**Senator FISHER**—No, I’m not actually.

**Senator MARSHALL**—Master Electricians Australia, the MEA in Queensland, from the national organisation, has been running this line around the place.

**Mr Bowles**—Yes. I was just going to go to that. MEA has raised that issue. As I said earlier on, we have had extensive consultation with MEA, NECA, the Queensland electrical safety organisation and the Electrical Trades Union. We are developing this program based on their advice. We have had a number of industry forums—I cannot remember the last one, but it was about a week and a half ago—where all those agencies have gone through our procedures, including MEA, about how we handle these circumstances.

**Senator FISHER**—We have to be guided by you as to those experts.

**Mr Bowles**—Absolutely.

**Senator FISHER**—Are they at one on the effectiveness of this program and, if so, on what basis do you say they are at one?

**Mr Bowles**—Are they at one for everything that we want to do? I think that would be an interesting scenario to paint. I think some people will have different views about switches versus foil removal, and that is why we said ‘based on the advice of the electrician, based on their particular circumstances’.

**Senator FISHER**—On the one hand, that provides you with a bit of an out rather than providing an answer or reassurance to the homeowner.

**Mr Bowles**—I am sorry, we are dealing with the peak electrical bodies to come up with and develop a program. It is not an out. We have also understood from some householders that they may wish to keep their insulation or they may wish to have a safety switch installed. That will be their choice. The fact is that we are not with those people out there as their homes are inspected. Therefore, we believe, and the peak bodies that we are dealing with believe, that we should rely on the advice of the electrician.

**Senator MARSHALL**—Electricians are a licensed trade. The point of having an electrician in the household is, in fact, to certify that the electrical system is safe.

**Mr Bowles**—That is correct.

**Senator MARSHALL**—It is a direct involvement with the householder to make the safest choice for them, for every particular circumstance. Are you satisfied that they will be qualified electricians and that they will be working with the householder to make the best choice?

**Mr Bowles**—That is correct. Absolutely.

**Senator FISHER**—That sounds reassuring, in terms of it being judged on the individual circumstances at the time, according to the most expert person there at the time, the electrician, but your website claims as important safety information:

The removal of foil from the ceiling space provides the greatest level of electrical safety.

Are you sure that your website properly claims that, on the one hand, while, on the other hand, you are saying that it has to be done at the home-face, at the insulation-face, by the householder with an electrician who will be qualified to know what they are talking about?

**Mr Bowles**—What that is referring to is the office of electrical safety in Queensland. Their advice is that that may be the safest option, but they also go on to say that an alternative is the installation of safety switches, depending on the circumstances that an individual may face. Hence, that is the way that we have crafted this.

**Senator FISHER**—We could debate the way in which those words can be interpreted, but I understand your intention so I will not pick on the words.

**Senator BIRMINGHAM**—Can I just take you back one step?

**Mr Bowles**—Yes.

**Senator BIRMINGHAM**—You said at the end of your answer in response to my question that we will have a position or advice from the department in terms of that situation that I posed where the homeowner says, ‘What should I do?’ and the electrician is left to make the judgment call. I asked whether the department had a recommended position and you said, ‘We’ll have something shortly.’

**Mr Bowles**—I did not take it that you asked me about a recommended position. You asked whether we have advice to give to the electricians or the householders. We are developing advice for the electrician and the householders. Part of that will be the letter that I referred to with Senator Fisher. The letter that we will send to householders will give them some information on what the program is about. We obviously want to give information to the electricians who are going to do this work about the program that we have developed in consultation with the electrical peak bodies.

**Senator MARSHALL**—So you are not telling them what advice to give the householder?

**Mr Bowles**—No. We will not be telling them what advice to ultimately give the householder because of that.

**Senator BIRMINGHAM**—I understand all of the urgency that surrounds getting this done and getting the inspections done, which is absolutely critical. It seems odd to me, though, that nearly half of the inspections have been undertaken and that advice or information is still under development.

**Senator FISHER**—Mr Bowles was saying that many of those houses have not been offered the removal.

**Mr Bowles**—That is correct. We put in place an inspection program immediately for anybody who had some concern; that is, the 23,000 inspections that we have had. In conjunction with that, or at the same time, in developing the program to go forward the government decided that we would remove the foil or have safety switches installed on the advice of electricians, and we will revisit those houses and give them options around those things as well. We will in fact revisit some of those houses.

**Senator FISHER**—Of those 23,200, how many were offered and elected to have foil removed?

**Mr Bowles**—None technically were offered. I understand a couple had their foil removed.

**Senator FISHER**—So, the numbers that have had foil removed is on a single hand at this stage?

**Mr Bowles**—I do not know the answer to that and I do not believe that I can get the answer to that.

**Senator FISHER**—There is a nod going on in the background there.

**Mr Bowles**—If you recall, the initial inspection program was such that the homeowner rang the safety hotline and could get an electrician of their choice to make sure that they were safe. That is what we are talking about in that instance. In some cases we know anecdotally that some householders had the foil removed at that particular point.

**Senator FISHER**—That is only anecdotal.

**Mr Bowles**—I said ‘anecdotal’, so I do not have the information.

**Senator FISHER**—If a householder elects to undertake the FISP, where the electrician comes and inspects, and the householder makes an election as to a safety switch or the removal of foil, I presume that there is standard paperwork that the householder will sign. Is that the case?

**Mr Bowles**—There will be a certificate of inspection that the electrician will leave with the householder to say that the house is safe at this point. Obviously you cannot guarantee safety forever and a day because of vermin and because people tend to get up in their ceilings occasionally as well.

**Senator FISHER**—Does the householder's acceptance of the inspection and a consequent outcome, be it a safety switch or foil removal, mean they have to sign paperwork that includes relinquishing any legal action they might otherwise contemplate against the Commonwealth in the highly undesirable event that there is some sort of event? For example, there could be a fire whereby the householder is of the view that it is somehow related to insulation. Does the householder have to sign a form that acquits the Commonwealth of potential liability in that scenario?

**Mr Bowles**—If the foil is removed and an electrician certifies the house safe, the house cannot burn down because of the insulation.

**Senator FISHER**—We very much hope so.

**Mr Bowles**—I will go back over that. If the foil is removed and an electrician has signed off that the house is safe, the house cannot burn down because of the insulation.

**Senator FISHER**—That is assuming as to the view of those who seem to be saying that there is a risk that, like a needle in a haystack, there may be a staple left and it is a staple in the wrong place. That is assuming that view is wrong. We hope it is. If it is not or if there be some other electrically technical scenario which could result in an outcome that is far from pleasant, that is at least a possibility. I understand you to be of the view that, based on the best advice that you have, that will not happen. Let us hope so. Does the paperwork that a householder ultimately signs at the end of that process—if and when accepting this sort of inspection and the consequences of it, be it the removal of foil or the installation of a safety switch—involve the householder relinquishing any prospect of legal claim against the Commonwealth as a result of damage arising out of the Home Insulation Program?

**Mr Bowles**—Someone is probably beavering in the background trying to find out that information for me. I cannot specifically recall what the householder signs. However, we also need to understand that electricians are a professional group of people. They have a duty of care. They have professional liabilities and indemnities of their own. What we are contracting for, through PwC and UGL, is a professional job that will remove the foil and leave the house safe.

**Senator FISHER**—I am concerned that the professionals do not seem to be agreeing amongst themselves, as professional as no doubt they are, as to the most appropriate solutions to the problem.

**Mr Bowles**—I am at a loss. If we remove the foil, then the foil is not going to create a problem. I understand what you are saying about the—

**Senator FISHER**—Neither you nor I are experts. I am simply asking: what is the householder going to be required to give up in exchange for accepting this attempted acquittal of duty by the Commonwealth?

**Mr Bowles**—I will need to find out. As I said, I do not have the form in my hand at the moment. I will find out.

**Senator FISHER**—Forms are on paper. Perhaps when it is on paper, may we have a copy?

**Senator Wong**—Let him finish.

**Senator FISHER**—That will be sufficient. Once the form is developed, then perhaps we could have a copy.

**Senator Wong**—We have been doing reasonably well. If he might just finish his answers before you ask the next question.

**Senator FISHER**—Yes.

**Dr Parkinson**—We will get you that advice.

**Mr Bowles**—We will take that on notice.

**Senator FISHER**—Thank you. I have a couple more questions around the FISP. What is the average cost of inspection to the Commonwealth?

**Mr Bowles**—We have only just started the FISP as it stands at the moment. From memory, the earlier inspection program was coming in at an average of somewhere just less than \$400.

**Senator FISHER**—What is the average time between a householder calling the hotline to request an inspection and the inspection taking place?

**Mr Bowles**—I am sorry?

**Senator FISHER**—What is your targeted average time between a householder calling the hotline to request an inspection and an inspection taking place?

**Mr Bowles**—We are roughly around two weeks. That could be much quicker or could be a bit longer. Some of this is also about organising with householders, and in some cases we organise with householders and they are not home. There are all sorts of things that impact on averages. My last recollection was that it was around two weeks, but I know that we have had some that were longer—as I said, turning up and no-one is home and so on, and then negotiating with householders can be interesting sometimes.

**Senator FISHER**—How many faults have been found with foil insulation thus far?

**Mr Bowles**—On some of the analysis there was a small number of roofs that were found to be live. There is a range of pre-existing conditions that sometimes caused that and sometimes it was the staples through the wires. In the group that we looked at, 19 roofs were found live.

**Senator FISHER**—Can you indicate the reasons for that?

**Mr Bowles**—In those cases I believe it was the metal foil being in touch with the wires in some form, either through the metal fasteners or some other mechanism.

**Senator FISHER**—I have one more question on the FISP. You indicated your target number of inspectors is 760. How many do you have contracted at the moment?

**Mr Bowles**—Contracted at the moment it is much smaller than that. I think it is in the order of 140, but I would need to confirm that figure. UGL, the body that is managing that

side, had a previous contract that we have this thing running on. As I said, we closed the tender last Friday for the electrical contractors and we should be in a position in early June.

**Senator FISHER**—Thank you. You said the average cost of inspection per household is \$400. What is the average cost of removal and disposal of foil or the installation of a safety switch?

**Mr Bowles**—I mentioned earlier that I believe the overall cost of the program for that work was around \$45 million to \$50 million, so it will be somewhere around that figure for the total program. It is far too early to do averages. We have not done enough in that new program. I will be a little vague about the \$45 million to \$50 million because we have only negotiated phase 1. As I mentioned earlier, we have a phase 2, once we have more information on what is happening and how the program is working. Quite frankly, to be brutal to the contractors, I want to keep their feet to the fire on this particular issue to make sure that we get value for money for the Commonwealth.

**Senator FISHER**—And for the taxpayer?

**Mr Bowles**—Obviously.

**Senator FISHER**—Yes. The Senate committee inquiring into the Home Insulation Program reports by 17 June. I understand it is not long enough for averages at this stage, but if it is possible for you to form a view as to the average cost of either removing the foil or installing a switch in time to provide that answer on notice to this committee, then that would assist in deliberations. Thank you.

**CHAIR**—Are we going to go to Green Loans, or not?

**Senator MARSHALL**—Can I just finish off with one question? I did not catch—and I am not sure you were able to finish—the answer about what bodies, representatives or organisations were actually on that advisory group about the electrical installation.

**Mr Bowles**—We had a range of industry players. Ron Silverberg is an adviser. He is not an electrician, obviously. We had the Queensland Electrical Safety Office, MEA, NECA and Peter Tighe from the Electrical Trades Union.

**Senator MARSHALL**—Did you say that the regulator was there?

**Mr Bowles**—Yes, the Queensland Electrical Safety Office, the regulator in Queensland.

**Senator MARSHALL**—The issue of the licences and the one response for the electrical regulation within the states?

**Mr Bowles**—Yes, that is correct.

**Senator MARSHALL**—Thank you.

**Senator ABETZ**—I want to move to the department's—and of course, I am talking about the predecessor department—involvement with the training that was undertaken for the home insulation installers. What was the involvement of the department? Did they help or not help? For example, did they commission the national skills council to set up the competencies for installation?

**Mr Thompson**—Yes, the department that was formerly involved with the Home Insulation Program—the Department of the Environment, Water, Heritage and the Arts—did contract with the Construction and Property Services Industry Skills Council to develop training for the program.

**Senator ABETZ**—How much was that council paid by the department for that?

**Mr Thompson**—Bear with me. The cost of developing these materials and consultation was approximately \$120,000. In addition, CPSISC were contracted for other work—enhancement of training materials, following safety issues raised, consulting on risk assessment checklists and development of a single unit of competency for ceiling insulation, to incorporate three original units. That became available on 1 March this year. The total contract value for all projects was approximately \$140,000.

**Senator ABETZ**—So that should be \$120,000 plus \$20,000.

**Mr Thompson**—That is my understanding.

**Senator ABETZ**—All right. If you need to amend it, just tell me.

**Mr Thompson**—Yes, I will do that on record.

**Senator ABETZ**—Was the first meeting of getting this unit of competency together actually held in DEWHA premises?

**Mr Thompson**—I understand it was. There was an inaugural meeting of the training working group and a discussion on training standards was held in the John Gorton Building on 8 May.

**Senator ABETZ**—I am told that the CPSISC is divided into a construction side and a property services side and that home insulation had always been seen as part of construction as opposed to property services. The suggestion has been put to me that it was in fact the department that requested that property services deal with the unit of competency as opposed to the construction side of this particular industry skills council. I was wondering if you could confirm that to me.

**Mr Thompson**—I cannot confirm that. I do not have any information about that before me.

**Senator ABETZ**—Can you take that on notice?

**Mr Thompson**—I will take that on notice. I do know that at the time DEWHA was working very closely with the Department of Employment, Education and Workplace Relations, who deal with the industry skills councils on a very regular basis. DEEWR were helping us to facilitate development of those modules and services.

**Senator ABETZ**—In that case you might like to also take on notice what interdepartmental discussions took place to get a quick outcome, because I understand all the industry training advisory bodies—all the state bodies—from the construction side in fact opposed the skills set that was being suggested, but the property services side of this double body agreed to it despite the protest of the various state bodies. In those circumstances I would like to know what pressure, if any, DEWHA put on DEEWR to rush this through,

because some of the notations I have seen and received indicate that there was huge pressure brought to bear.

**Mr Thompson**—That is the first I have ever heard of that allegation.

**Senator ABETZ**—I would like to tease it out a lot further, but given the time of night, I have tried to put it all on the table in a job lot rather than asking neat, discrete questions; otherwise we would be here until the appointed hour.

**Senator Wong**—The time we are here to, as it were. Mr Thompson said that is the first he has heard of it. Obviously you have placed a range of assertions on *Hansard*. They are not accepted, but we will take the question on notice. I did want to know: did you have a date?

**Senator ABETZ**—For what?

**Senator Wong**—The meeting.

**Mr Thompson**—In terms of the assertions about concerns raised within the Construction and Property Services Industry Skills Council.

**Senator ABETZ**—A number of dates, but as I understand it, these sorts of competency units—if that is the correct term—are usually developed over a period of 18 months, and this one was pushed and shoehorned into about six months; is that right?

**Senator Wong**—No. The reason this is not ringing many bells for Mr Thompson—he has given you some information—and the reason I was inquiring about dates or a little more information was so that we could perhaps be clearer in terms of the question on notice. We will take the question on notice. If you are able to provide any more information about that issue to assist us we would appreciate it, because the officers are not advising me of anything that I think accords with what you have put on *Hansard*. We will certainly make enquiries.

**Senator ABETZ**—When this *Hansard* comes out, I can go back to my sources and they will undoubtedly provide further information. I will leave it there. Thank you very much, Chair.

**CHAIR**—Senator Birmingham, can you leave five minutes before 11 so we can get Senator Bilyk's questions in?

**Senator BIRMINGHAM**—I will do my best, Chair. I will quickly finish a couple of things on home insulation and then quickly Green Loans. Mr Bowles, of the 23,200 figure you were speaking about with Senator Fisher, how many were inspections commissioned by the household?

**Mr Bowles**—Effectively all of them. They rang the hotline and they got a PRN, a product reference number, and then they contacted the electrician of their choosing and got the work done. They contact us and contact the electrician, so technically they have done it.

**Senator BIRMINGHAM**—So basically all of the 23,000 are ones where they have chosen the electrician; they are not a department authorised electrician or selected electrician?

**Mr Bowles**—No, that was the process that was put in place at that time.

**Senator Wong**—What was the counterfactual that you were trying to ascertain?



**Senator BIRMINGHAM**—Whether any were department approved electricians; that would be the counterpoint. Of those 23,200, what has the total cost of inspections been?

**Mr Bowles**—That is a good question. I do not have that off the top of my head. I would have to take that on notice. I just cannot recall. As I said, I think it was roughly, on average, a little bit below \$400 for those inspections. They varied, but the average at one stage was just less than \$400.

**Senator BIRMINGHAM**—Will all of those then be written to and offered a new inspection?

**Mr Bowles**—Obviously they have had an inspection, but they will be offered an inspection and the option of having the foil removed or the safety switch, as discussed before.

**Senator BIRMINGHAM**—So there are 23,000 homes that have already been inspected at, you are saying, about \$400 a home. They will all be offered another inspection and, in that second inspection, the choice of having the foil removed or the safety switch put in.

**Mr Bowles**—Yes, that is correct. But, if you are meaning inspection on inspection, obviously when you go back the second time we have already got the house to a safe state, so at least we know that. It is a slightly different process, but they will be offered the option of having the foil removed or a safety switch installed.

**Senator BIRMINGHAM**—I understand the urgency; you have rolled all of these things out, at a cost of \$9 million. It probably sounds like inspection is to be duplicated, but to offer them the full choice and the quality of service you outlined before, Mr Bowles, I guess that is the price the taxpayer pays.

**Mr Bowles**—Can I just correct that? I know I said \$9 million, but it is closer to \$7.5 million for that first phase.

**Senator BIRMINGHAM**—That is \$7.5 million for the 23,000 inspections?

**Mr Bowles**—No, you were mentioning a \$9 million figure that I think I mentioned earlier on.

**Senator Wong**—These are two different things.

**Senator BIRMINGHAM**—No, I was simply multiplying your \$400 by 23,000.

**Mr Bowles**—Sorry.

**Senator BIRMINGHAM**—So about \$9 million, assuming your average is roughly right?

**Mr Bowles**—Assuming my average is right, yes.

**Senator BIRMINGHAM**—That is fine. Have all of those electricians been paid and what is the timeline in which they are being paid?

**Mr Bowles**—We are doing that as quickly as we can. We have our normal billing period of 30 days.

**Senator BIRMINGHAM**—Are you meeting that 30 days?

**Mr Bowles**—We are meeting overwhelmingly the largest number—I believe about 85 per cent to 90 per cent of those—within those times. We have just increased the number of people in the payments area because we have received a lot in the last month or so.

**Senator BIRMINGHAM**—Does that suggest that there was a backlog that had built up? I have heard complaints.

**Mr Bowles**—No. When you receive them in the mail we receive a lot in a very short space of time, so it was not a backlog as such. What we have to do before we pay anyone is make sure it is a correctly rendered invoice.

**Senator BIRMINGHAM**—Of course, people can still get their own electrician in?

**Mr Bowles**—Once the FISP started on 6 May—

**Senator BIRMINGHAM**—The transition date was 6 May; now they have to use one of your electricians?

**Mr Bowles**—As long as they had bookings, people could have booked up until about 14 May.

**Senator BIRMINGHAM**—I will start with the Green Rewards card. Minister, you announced a process for the payment, or reimbursement as it is now, of the \$50 Green Rewards program within Green Loans. In your announcement you listed 23 eligible items under Green Rewards. In Minister Garrett's letter that he used to send to Green Rewards' recipients there were 24 eligible items for Green Rewards cards. What is the missing item—roof, wall and/or ceiling insulation?

**Senator Wong**—Correct.

**Senator BIRMINGHAM**—Why?

**Ms Rankin**—We took it out partly because of the recommendations from the Hawke review, which suggested that there was no really safe way for the government to provide a rebate for home insulation, and \$50 does not go very far towards insulation. It also duplicated a large amount of money that had already been spent through the Home Insulation Program.

**Senator BIRMINGHAM**—Certainly \$50 does not go very far, and the duplication point could be a valid one. I am not sure that a \$50 rebate on home insulation probably distorts the market in the way that Dr Hawke was speaking of in his review, but I guess I would leave that for him to comment there.

**Senator Wong**—I suppose it is trying to seek to have consistency across government programs.

**Senator BIRMINGHAM**—Thank you, I understand that. It could equally be that it is an industry that, as we have recognised, is doing it pretty damn tough at present, and being taken out of this program, which really is not going to prop up anybody who is not an ongoing serious provider, seems to be a bit of a swipe along the way at them. I understand the government's sensitivities about home insulation at present, and those sensitivities are quite reasonable.

**Senator Wong**—There are a few things you just said that I reject. I reject the verb used: 'swipe'. It is not what was intended. And it was not taken out because of sensitivities. Ms

Rankin has outlined the reasons. If you look at the time lines when the original Green Rewards policy or measure was announced, I do not recall the Home Insulation Program having been in place. Obviously this is a very different context.

**Senator BIRMINGHAM**—Yes, that would be true in terms of when the Green Loans was first developed, and I suspect when the first letters went out, but I would have to check that. Anyway, it has been taken out. I assume that, with those lists, advice is going out to all the eligible home owners?

**Ms Rankin**—All the eligible householders will receive a letter asking them to send back copies of their receipts for their \$50, and a list of eligible items will be attached to the letter that goes out to households.

**Senator BIRMINGHAM**—I have other questions on that, but I will put them on notice. Can I turn to your ministerial statement on 10 March. In the last section you highlighted the reviews under way. Firstly, the request from Minister Garrett, the then minister, requesting the then department to ‘immediately implement an independent external process of inquiry in relation to all contractual agreements and procurement processes entered into during the final design and implementation of the Green Loans program. This inquiry is underway and will report in April 2010.’ Has it reported?

**Dr Parkinson**—That is a reference to the Faulkner review. Ms Faulkner has provided us with a draft report and she has asked us to check it for factual accuracy. We are in the process of doing that now. We will get those comments back to her shortly and then she will be able to finalise the report.

**Senator BIRMINGHAM**—I refer to the PWC report being conducted as an audit of the assessor accreditation process and adherence to the terms of the protocol for assessor accrediting organisations between the department and ABSA.

**Dr Parkinson**—Again, that is in draft form. Parties have been given the opportunity to comment to PWC before PWC finalises it.

**Senator BIRMINGHAM**—It was also due to conclude shortly. Is there a reason for the delays in those two?

**Dr Parkinson**—Do you mean both Faulkner and this? The Faulkner review just took longer to do. My understanding of the PWC report is that it was an issue where we, as part of the transfer over, had to get our heads around a range of different issues. This was one of the ones we had to get our heads around to understand what was being said, and with whom that report should be shared, to give them the opportunity to comment.

**Senator BIRMINGHAM**—Will these reports be made public?

**Dr Parkinson**—Whether to make them public would be a matter for the government to decide.

**Senator BIRMINGHAM**—Minister?

**Senator Wong**—I will consider that after receiving the report. I am not ruling it out, but I would obviously want to consider it.

**Senator BIRMINGHAM**—Again, we can revisit that as we go. What number of assessments are being booked on a weekly basis now?

**Ms Rankin**—I think on average it is between 7,000 and 9,000.

**Senator BIRMINGHAM**—That is since caps et cetera were put in place?

**Senator Wong**—You did not ask for caps; you asked for current figures. If you want averages, they may be different figures. Which do you want?

**Senator BIRMINGHAM**—I would like current figures.

**Ms Rankin**—We have got numbers of assessments being booked by week. I do not have an average figure here. Looking at the week of 23 May it was 9,885; 16 May, 10,104; 9 May, 9,401; 2 May, 7,308. So it is in that range.

**Senator BIRMINGHAM**—How many assessors does the department have registered at present?

**Ms Rankin**—It has 4,410, I think.

**Senator BIRMINGHAM**—Have assessors resigned from the program in recent months?

**Senator Wong**—I am not sure that ‘resigned’ is the right term.

**Senator BIRMINGHAM**—Handed in their assessor number or advised of their—

**Ms Rankin**—I think there has been only a very small number that have handed back their accreditation. It is only about 20-something.

**Mr Thompson**—At most, I think.

**Senator BIRMINGHAM**—Are you keeping data on whether assessors are active?

**Ms Rankin**—We can tell whether or not they are active by—

**Senator BIRMINGHAM**—Whether they make a booking.

**Ms Rankin**—whether they make a booking in the system. It is not something we are specifically going in and checking—whether each assessor is active or not.

**Senator BIRMINGHAM**—Obviously though, given there is a cap in place from the government on the number of assessors, if they are inactive that is in a sense depriving somebody who may be trained and would like that number from utilising it. Are there any terms by which the department can reconsider somebody’s place if they are inactive and simply occupying a spot?

**Ms Rankin**—We have not got anything like that in place at the moment. I guess there could be a range of reasons why somebody might be inactive. They might just be on holidays for a period of time or have already put a number of prior bookings into the system and they are rescheduling those or undertaking those at a later date. We have not gone out and consulted with each person to ask how many bookings they have specifically made to determine whether they have an interest in continuing to make bookings under the program.

**Senator BILYK**—I wanted to ask about the recently announced Prime Minister’s Task Group on Energy Efficiency. I note that Secretary Parkinson is the chair of that task group, so

congratulations on being appointed as chair. Can you tell me what the response has been to the task group's work so far?

**Dr Parkinson**—The task group and its associated advisory group have put out an issues paper that was used then as the basis for a series of consultations in Brisbane, Melbourne, Perth and Sydney, which were attended by around 300 people from all the relevant sectors—transport, industry, community groups and the like. I think they were quite lively discussions, because there were quite different views expressed there. But one thing that was very clear is that there were a very large number of ideas that were put forward in those discussions. The issues paper itself triggered over 180 submissions. At the moment we are in the process of going through those submissions and loading them up onto the website.

**Senator BILYK**—Are you able to give us a sense of what is in the submissions, or not yet?

**Dr Parkinson**—Not in the amount of time we have got.

**Senator BILYK**—You could take that on notice?

**Dr Parkinson**—We could do that.

**Senator BILYK**—It would be useful for us.

**Dr Parkinson**—The one thing is that now we have got the work that the task group and its associated advisory group have been doing. We have got 180 submissions, a whole pile of ideas, a lot of additional information, and we are just working our way through that.

**Senator BILYK**—Have submissions closed yet?

**Dr Parkinson**—Yes, they have. The intention is that we will report to the government somewhere around mid-year.

**Senator BILYK**—Can you just tell me how energy efficiency fits into the mix of policies you administer that aim to reduce emissions?

**Dr Parkinson**—Improving energy efficiency is actually one of the cheapest ways, in a sense, of delivering abatement. It clearly helps if you can avoid having to build new capital equipment, new power stations. But one of the things that will inevitably happen over time is that the price of energy will go up. Energy efficiency initiatives mean that the power bills, or energy bills, themselves do not need to go up commensurate with the price. Indeed, in an ideal situation one could even imagine that they might come down, but that is a fairly ambitious state to be in. Energy efficiency directly helps reduce the demand for energy and helps with abatement. It actually helps households and businesses deal with the consequences of rising energy prices and it has real co-benefits, particularly social co-benefits, in the sense that even in the absence of changes to energy prices it actually helps particularly lower income households better manage their bills.

**Senator BILYK**—It sounds like a win-win all round.

**CHAIR**—Thank you. That concludes the examination of the Climate Change and Energy Efficiency portfolio.

Resolved (on motion by **Senator Wortley**):

That this committee accepts the documents tabled today.

**CHAIR**—I would remind senators that written questions on notice should be provided to the secretariat by Friday next week. I would like to thank the minister and all of the officers of the department for their attendance. I would also of course on behalf of all senators extend my thanks to the secretariat and to Hansard and broadcasting for their assistance. I would also like to thank senators for their cooperation.

**Committee adjourned at 11.02 pm**