Senate Standing Committee on Environment and Communications
Legislation Committee

Additional Estimates 2010-2011, February 2011

Answers to questions on notice

Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	4
Program:	1.1		
Division/Agency:	CSMD		
Topic:	Proposed Regulatory Body		
Hansard Page EC:	EC 57		

Senator Birmingham asked:

Senator BIRMINGHAM—I refer to the incoming government brief, the strategic brief that was released under FOI—page 74 of that, which is a whole lot more legible than the rather large black square on page 73. It proposes the creation of a dedicated regulatory capacity for greenhouse energy reporting and renewable energy administration, essentially a joint entity of the ORER and the functions of the department required under the NGERS legislation. Has a decision been made on that proposal?
Mr Comley—No.
Senator BIRMINGHAM—So it has not been part of the portfolio bids for the 2011 legislative program, then, as mooted?
Mr Comley—No.
Senator BIRMINGHAM—Is that still a live proposal?
Mr Comley—I have not been definitively told it is dead. It is not occupying a lot of my time, let us put it that way.
Senator BIRMINGHAM—Is a brief before the minister or someone to consider it?
Mr Comley—Not to my knowledge. I would have to take that on notice.
Senator BIRMINGHAM—Has it gone anywhere since it appeared in the brief?
Mr Comley—Not to my knowledge.
Senator BIRMINGHAM—Thank you, Mr Comley. Anything else I need on that I will put on notice. For the time, that will suffice.

Answer:

As of the 21 February 2011 Additional Estimates hearing, no brief had been provided to the Minister for Climate Change and Energy Efficiency regarding the creation of a single regulatory body since the publication of the Incoming Government Brief.

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Answers to questions on notice

Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	5
Program:	1.1		
Division/Agency:	CSMD		
Topic:	Carbon Price		
Hansard Page EC:	Written		

Senator Birmingham asked:

After allowing for the impact of the current renewable energy target (RET) scheme on carbon emissions through to 2020, what carbon price would be necessary to ensure the achievement of the Government's 2020 5 per cent emissions reduction target?

Answer:

The Government is still finalising the detail of its proposed carbon price mechanism that was announced on 24 February 2011. As part of this process we have commissioned Treasury modelling that will estimate the carbon price associated with certain levels of carbon pollution abatement. The Government has committed to publicly release these results.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	6
Program:	1.1		
Division/Agency:	CSMD		
Topic:	Carbon Price		
Hansard Page EC:	Written		

Senator Birmingham asked:

What carbon price would be necessary for existing gas-fired generating plant to displace:

1. Brown coal in the merit order (i.e. price necessary to run gas fired generating capacity in place of brown coal)
2. Black coal in the merit order (i.e. price necessary to run gas fired generating capacity in place of black coal)

In each case:

a. What domestic gas price has been assumed?
b. What assumptions have been made about the prospect of rising gas prices between 2013 and 2020?
c. What would be the impact on electricity prices?

Answer:

The Australian Government is still finalising the detail of its proposed carbon price mechanism that was announced on 24 February 2011. As part of this process we have commissioned Treasury modelling that will highlight the transformation of the Australian economy as a result of the carbon price. The Government has committed to publicly release these results.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	7
Program:	1.1		
Division/Agency:	CSMD		
Topic:	Carbon Price		
Hansard Page EC:	Written		

Senator Birmingham asked:

What carbon price would be necessary to build new base load gas fired generating capacity instead of coal?

Answer:

The Australian Government is still finalising the detail of its proposed carbon price mechanism that was announced on 24 February 2011. As part of this process we have commissioned Treasury modelling that will highlight the transformation of the Australian economy as a result of the carbon price. The Government has committed to publicly release these results.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	8
Program:	1.1		
Division/Agency:	CSMD		
Topic:	Carbon Price		
Hansard Page EC:	Written		

Senator Birmingham asked:

What carbon price would be necessary to close existing coal generation and build new base load gas fired generating capacity for:

1. Brown coal
2. Black coal

In each case:

a. What domestic gas price has been assumed?
b. What assumptions have been made about the prospect of rising gas prices between 2013 and 2020?
c. What would be the impact on electricity prices?

Answer:

The Australian Government is still finalising the detail of its proposed carbon price mechanism that was announced on 24 February 2011. As part of this process we have commissioned Treasury modelling that will highlight the transformation of the Australian economy as a result of the carbon price. The Government has committed to publicly release these results.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	9
Program:	1.1		
Division/Agency:	CSMD		
Topic:	Carbon Price		
Hansard Page EC:	Written		

Senator Birmingham asked:

What analysis has been prepared as to the impact of an emissions trading scheme on the operations of brown coal generators in Victoria?

Answer:

The Australian Government is still finalising the detail of its proposed carbon price mechanism that was announced on 24 February 2011. As part of this process we have commissioned Treasury modelling that will highlight the transformation of the Australian economy as a result of the carbon price. The Government has committed to publicly releasing these results.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	10
Program:	1.1		
Division/Agency:	CSMD		
Topic:	MPCCC		
Hansard Page EC:	Written		

Senator Birmingham asked:

1. When did the MPCCC agree to 1 July 2012 as a possible commencement date for any carbon price mechanism?
2. Were other start dates considered?
3. If so, what options?

Answer:

1. The deliberations of the Multi-Party Climate Change Committee (MPCCC) are confidential to the MPCCC. The proposed start date has been agreed by the Australian Government and Australian Greens members of the Committee and all members agreed that the proposal be publicly released.

2. The deliberations of the MPCCC are confidential to the MPCCC.

3. Not applicable.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	11
Program:	1.1		
Division/Agency:	CSMD		
Topic:	MPCCC		
Hansard Page EC:	Written		

Senator Birmingham asked:

1. When did the MPCCC agree to a three- to five-year transition period between a fixed price period and a flexible price cap-and-trade emissions trading scheme?
2. Were other options considered?
3. If so, what options?

Answer:

1. The deliberations of the Multi-Party Climate Change Committee (MPCCC) are confidential to the MPCCC. The proposed mechanism was agreed by the Government and Australian Greens members of the MPCCC, and all members agreed that the proposal be publicly released.

2. The deliberations of the MPCCC are confidential to the MPCCC.

3. Not applicable.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	12
Program:	1.1		
Division/Agency:	CSMD		
Topic:	CPRS EITE Assistance		
Hansard Page EC:	EC 16		

Senator Boswell asked:

Senator BOSWELL—Under the CPRS, what share of Australia's export would have been covered by the EITE scheme?
Ms Wilkinson—I will have to take that on notice.

Answer:

Exports from industry categories expected to be assisted through the emissions-intensive trade-exposed assistance program under the Carbon Pollution Reduction Scheme (CPRS) are estimated to comprise around 25 per cent of total exports of goods in 2009-10.

Other assistance was provided under the CPRS in the form of the Coal Sector Adjustment Scheme, the Transitional Electricity Cost Assistance Program and the Climate Change Action Fund. Under the CPRS, the agricultural sector were also provided with cost offsetting measures through the exclusion of agricultural emissions from the CPRS (equivalent to 100 per cent assistance) and assistance for fuel costs through the fuel tax credit.

Taking account of all assistance packages, the vast bulk of export goods would have been eligible for assistance under the CPRS.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	13
Program:	1.1		
Division/Agency:	CSMD		
Topic:	RECs		
Hansard Page EC:	EC 51		

Senator Boswell asked:

Senator BOSWELL—Last year you indicated that payments for what are now known as SRECs had reached $1 billion. Given the extraordinary take-up in both solar photovoltaic programs and solar hot water programs, which generated some 25 million RECs, can you give me an updated total outlaid by the government on the programs from 2007, and could you break that down for me into the two types—that is, hot water and photovoltaics?
Ms Wilkinson—So you are asking for the uptake of installations of solar photovoltaics and hot water systems since 2007?
Senator BOSWELL—Yes.
Ms Wilkinson—We can take that on notice. I do not have those data with me.

Answer:

The following information on uptake of small-scale solar photovoltaic (PV) systems and solar and heat pump water heaters since 2007, is based on data obtained from the on-line Renewable Energy Certificate (REC) Registry. The REC Registry was established under the Renewable Energy Target (RET) scheme and is administered by the Office of the Renewable Energy Regulator. The figures reflect the installations under the RET scheme up to and including 28 February 2011, and do not incorporate instances where systems have been installed but certificates have not yet been registered.

Solar PV systems

	2007	2008	2009	2010	Jan/Feb 2011
Installations per year	3,482	14,004	62,772	170,115	13,947

Solar/heat pump water heaters

	2007	2008	2009	2010	Jan/Feb 2011
Installations per year	50,831	83,401	189,089	113,576	3,545

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	14
Program:	1.1		
Division/Agency:	CSMD		
Topic:	RET – Abatement		
Hansard Page EC:	EC 55		

Senator Boswell asked:

Senator BOSWELL—Okay, thank you. That is what I was after. This is my last question. The department has been keeping track of the abatement provided through the SREC program. Given that reducing greenhouse gas emissions is what it is all about, what is the estimate of the abatement that has been achieved through the SREC area, and what is the cost per tonne of abatements? Dr Parkinson said this was very expensive abatement. I just wonder how expensive it is in cost per tonne.
Ms Wilkinson—The amount of abatement from the renewable energy target scheme overall?
Senator BOSWELL—For SREC.
Ms Wilkinson—The aggregate estimate is that there will be 30 megatonnes of abatement at 2020 for the renewable energy target scheme overall. I do not have with me the figures for the split of that abatement between large-scale and small-scale schemes but I can certainly take that on notice.
Senator BOSWELL—Yes, I would appreciate that, and the cost per tonne of abatement.
Ms Wilkinson—We have not estimated the cost per tonne of abatement for the SRES itself. A number of estimates have been put in the public domain—estimates of abatement associated with solar installations.

Answer:

As outlined in the publication *Australia's Emissions Projections 2010*, the aggregate estimate of abatement from the Renewable Energy Target (RET) scheme in 2020 is 30 megatonnes of carbon dioxide equivalent (Mt CO_2-e). Of this total abatement from the RET scheme, the Large-scale Renewable Energy Target is expected to deliver 26.3 Mt CO_2-e, while the Small-scale Renewable Energy Scheme (SRES) is expected to deliver 3.7 Mt CO_2-e.
The Department has not estimated the cost of abatement for the SRES to date, noting that the SRES commenced on 1 January 2011.

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Outcome:	1	**Question No:**	15
Program:	1.1		
Division/Agency:	CSMD		
Topic:	Carbon Pricing Effects on Electricity Pricing		
Hansard Page EC:	EC 46		

Senator Fisher asked:

Senator FISHER—All right. Can you provide this committee on notice with your view as to AiG's estimate of $300 within the first two years, based on the $26 price of carbon. Secondly, does the department have a view as to what would be the average annual increase in the average electricity bill based on a $26 price of carbon in the years after that until 2020? **Mr Comley**—We have not updated our view, at least in absolute terms, since the modelling done in 2008 that was reported in the white paper. Till we do a full modelling estimate we cannot go beyond that. This is what Ms Harris was alluding to. It is not simply a matter of a one-to-one correlation between what the carbon price is and the electricity impact; you have to look at the dynamics of the electricity market. And even in 2008 there were quite different estimates from three different electricity modellers commissioned by the department as to the extent of price increases. The $26 figure accords more closely with a pass-through of around one. That means that for one megawatt hour of electricity we expect on average one tonne of carbon to be passed through. Two other modellers who also model the electricity market had lower pass-through than that. So until you look back at the electricity market, including what has happened to a range of factors such as what has happened to relative gas and coal prices over the last three years, you could not be more definitive without doing a full modelling exercise. So we would base our answer on the white paper and the ALPF confirmation. **Senator FISHER**—The AiG report—like you, I only got hold of it this morning—would appear to have done that for electricity, gas and energy efficiency. Let's take gas and electricity prices over the last five years. It would appear to have done that work, so— **Mr Comley**—All I am saying is that it may appear to have done that; we have not gone through and analysed it in detail. We are happy to take it on notice but I do not want to do on-the-fly analysis of a report that we have not gone through in detail.

Answer:

The Australian Government is still finalising the detail of its proposed carbon price mechanism that was announced on 24 February 2011. As part of this process we have commissioned Treasury modelling that will highlight the transformation of the Australian economy as a result of the carbon price. The Government has committed to publicly release these results.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	16
Program:	1.1		
Division/Agency:	CSMD		
Topic:	Cleaner Car Rebate		
Hansard Page EC:	EC 79		

Senator Fisher asked:

Senator FISHER—Would you recommend it as an effective abatement measure?
Mr Comley—I think this goes to a policy question. Clearly, I think, the likely cost per tonne of abatement of a program such as the Cleaner Car Rebate is relatively high compared with a lot of other abatement programs.
Senator FISHER—Did you actually advise the government on the cost per tonne? What would the cost per tonne have been were it implemented?
Mr Comley—We would have provided advice on the cost per tonne, but I do not have the number off the top of my head.
Senator FISHER—Can you provide that on notice—
Mr Comley—I will take that on notice.
Senator FISHER—in terms of the taxpayer bang for the buck?
Mr Comley—My only caveat is that until you get to the specific design details of a program it can be a little difficult to work out exactly what the cost per tonne of abatement is, because you have to look at the precise way it would be implemented.
Senator FISHER—You must be able to rate it alongside other so-called carbon abatement measures that the government has implemented.
Mr Comley—The difference, of course, is between an implemented measure and one that has not been implemented, because until you get to the design details of the implementation you do not know how targeted it is in terms of the expected abatement versus the cost. That is the point I am making.
Senator FISHER—Yes, I hear you. But you will do your best nonetheless.
Mr Comley—We will take that on notice.

Answer:

The Department provided an estimate of cumulative abatement for a cleaner car rebate scheme to the then Minister's Office on 19 July 2010. No cost of abatement estimates were provided.

After the election, responsibility for the program passed to the Department of Innovation, Industry, Science and Research.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	17
Program:	1.1		
Division/Agency:	CSMD		
Topic:	LNG – WorleyParsons		
Hansard Page EC:	EC 21		

Senator Ludlam asked:

Senator LUDLAM—The only reference I can find that actually supports that claim is 2008 life cycle analysis done by WorleyParsons for Woodside. Do you or anyone in the department have that study, or have you had the opportunity to read it?
Ms Wilkinson—Yes, we have seen that study, and we did analyse it back in 2008.
Senator LUDLAM—Okay, that is great. If I ask you to provide that study to us, will you tell us that it is commercial-in-confidence and that we cannot have it?
Ms Wilkinson—I will have to take that on notice. I cannot recall whether or not this was a publicly released study.
Senator LUDLAM—I can confirm for you now, live in Senate estimates, that it has never been publicly released, so it would be a big breakthrough for us if you were able to table it. We have been told it is commercial-in-confidence, so it has actually been impossible to verify that figure. If you had it peer reviewed, or if you are able to provide it to us, that would be great.
Mr Comley—We will take it on notice.
Senator LUDLAM—Rather than either handing over the document or—in a couple of weeks, I suspect— telling us that you cannot, could you provide us with any analysis that you have done to either back up that claim or to provide a bit of a breakdown of how it was arrived at? The caveats that you offered in your answer to my first question are entirely accurate, and to me they do not really seem to square with the numbers that the industry is putting out.
Mr Comley—We will take on notice provision of the report. Say if I take on notice essentially a question along the lines of what would be the impact nationally and internationally of the export of a tonne of LNG and we take on notice essentially the department providing you some analysis of that. Is that essentially what you are after?
Senator LUDLAM—Yes, that would be really helpful. I would be very keen if you were able to table that report, if you have it.
Mr Comley—We will take it on notice. We will do what we normally do in these cases, which is check on the basis on which we were provided the report and whether that causes any complications.
Senator LUDLAM—Also, if there is any other literature that we have missed that provides us with a figure in an Australian context?

Answer:

In respect of the provision of the 2008 WorleyParsons report:

The 2008 WorleyParsons report was originally provided to the Department on a confidential basis. A modified version of the report was released to the public in March 2011, and can be found at: http://www.woodside.com.au/NR/rdonlyres/CF7C8EAB-F20B-4947-8088-2F0EC66D0380/0/Greenhouse_Gas_Emissions_Study_of_Australian_LNG_Worley_For_Publication.pdf.

The key conclusions contained in the WorleyParsons report are:

- 'For the utilisation of LNG (liquefied natural gas) for a new power generation plant in China in place of coal, 5.5 tonnes of CO_2-e (carbon dioxide equivalent) are saved globally, at the expense of every tonne of CO_2-e emitted in Australia'.

- 'For the replacement of a current coal-fired power generation plant in China with a LNG power plant, 9.5 tonnes of CO_2-e are saved globally, at the expense of every tonne of CO_2-e emitted in Australia'.

- 'The lifecycle greenhouse intensity for LNG is approximately 50 per cent lower than that of coal'.

From the Department's perspective, the figures quoted in the report are highly dependent on assumptions about what fuels and technologies would be displaced by the use of a tonne of Australian LNG. The Department does not necessarily endorse the assumptions used to arrive at the figures presented in the report.

In respect of what would be the impact nationally and internationally of the export of a tonne of LNG, the Department can provide the following information:

- National – While there is variation in the emissions intensity of producing LNG in Australia, a rule of thumb estimate, supported by evidence found in a number of Australian LNG project Environmental Impact Statement documents, is that around 0.5 tonnes of emissions currently result from producing a tonne of LNG. This estimate includes any emissions that could be related to the production of non-LNG co-products produced during the production process.

- International – There is also variation in the energy content of LNG. One estimate is that around 55 gigajoules of energy are contained in a single tonne of LNG. Therefore, using Australian emission factors for the combustion of natural gas, 1.0 tonne of LNG would result in around 2.8 tonnes of emissions when combusted in a second country.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	18
Program:	1.1		
Division/Agency:	CSMD		
Topic:	Greenhouse Gas Abatement Program		
Hansard Page EC:	EC 22		

Senator Ludlam asked:

Senator LUDLAM—Why was the decision made to get rid of that person, and who is doing that work now?
Ms Thompson—The Greenhouse Gas Abatement Program was actually one of the programs that was reviewed by Roger Wilkins through the Wilkins review. That review found that the GGAP program was not in fact complementary to a carbon price, so it was wound up. I believe that the existing project documents under the program were honoured, but the program eventually ran its course. With respect to what happened to the officer, I believe that they were found other duties, but we would probably need to check on that.

Answer:

The Greenhouse Gas Abatement Program, which included the Travelsmart project, was administered by the Department of Sustainability, Environment, Water, Population and Communities until it was terminated at the end of the 2008-09 financial year. Any enquiries on the program would need to be addressed to that department.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	19
Program:	1.1		
Division/Agency:	ID		
Topic:	Australia's emissions relative to China		
Hansard Page EC:	EC 22		

Senator Macdonald asked:

Senator IAN MACDONALD—Following up an answer to Senator Boswell when you said that Australia's output of greenhouse gas compared to China was 'relatively small', on notice could you actually be more precise than that and give us the details? I suppose you would do that by working out what China's is and what ours is, and making a percentage of them?
Mr Comley—No problem.

Answer:

Note: The two most commonly used data sources for calculating global emissions are the World Resources Institute's Climate Analysis Indicators Tool (CAIT)[1] and the International Energy Agency's (IEA) annual publication of carbon dioxide (CO_2) emissions from fuel combustion.[2]

These two data sources differ in their coverage. CAIT includes comprehensive data for all the greenhouse gases covered by the Kyoto Protocol for all countries and is presently available to 2005 only. This dataset does not include emissions from land-use, land-use change and forestry (LULUCF) for all countries and as such LULUCF has been excluded. IEA data is limited to CO_2 emissions from fuel combustion only – it does not include other greenhouse gases or LULUCF – and is presently available to 2008.

Both data sources have been used in the responses below.

Aggregate emissions:

a) According to CAIT, Australia's greenhouse gas emissions in 2005 totalled 557.6 megatonnes of carbon dioxide equivalent (Mt CO_2-e). China's greenhouse gas emissions in the same year totalled 7,232.8 Mt CO_2-e. Australia's emissions were 7.71 per cent of China's in 2005.

[1] World Resources Institute, CAIT Version 8.0 (Washington, DC: World Resources Institute, 2010), http://cait.wri.org/.
[2] IEA, CO_2 from Fuel Combustion Highlights, 2010 Edition, http://www.iea.org/publications/free_new_Desc.asp?PUBS_ID=2143.

b) According to the IEA, Australia's CO_2 emissions from fuel combustion in 2008 were 397.5 Mt CO_2. China's CO_2 emissions from fuel combustion in the same year totalled 6,550.5 Mt CO_2. Australia's CO_2 emissions from fuel combustion in 2008 were 6.07 per cent of China's.

Emissions as percentage of the globe:

c) According to CAIT, Australia's total greenhouse gas emissions in 2005 represented 1.47 per cent of global greenhouse gas emissions and placed Australia as the 15th highest emitter. China's total greenhouse gas emissions in the same year represented 19.13 per cent of global greenhouse gas emissions and placed China as the largest greenhouse gas emitter.

d) According to the IEA, Australia's CO_2 emissions from fuel combustion in 2008 represented 1.35 per cent of global CO_2 emissions from fuel combustion and placed Australia as the 13th largest emitter of CO_2 from fuel combustion in the world. China's total CO_2 emissions from fuel combustion in the same year represented 22.29 per cent of global CO_2 emissions from fuel combustion and placed China as the largest emitter of CO_2 from fuel combustion in the world.

Per capita emissions:

e) According to CAIT, Australia's per capita greenhouse gas emissions in 2005 were 27.3 tonnes CO_2-e, making Australia the 7th largest per capita emitter and the largest developed country per capita emitter in the world. China's per capita greenhouse gas emissions for the same year were 5.5 tonnes CO_2-e, making China the 83rd largest per capita emitter in the world.

f) According to the IEA, Australia's per capita CO_2 emissions from fuel combustion in 2008 were 18.4 tonnes CO_2 making Australia the 9th largest per capita emitter of CO_2 emissions from fuel combustion in the world, and the second-largest developed country per capita emitter (after Luxembourg). China's per capita CO_2 emissions from fuel combustion for the same year were 4.9 tonnes CO_2, making China the 60th largest per capita emitter of CO_2 emissions from fuel combustion in the world.

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Climate Change and Energy Efficiency portfolio

Outcome:	1	**Question No:**	20
Program:	1.1		
Division/Agency:	CSMD		
Topic:	Abatement from abolition of FBT		
Hansard Page EC:	EC 14		

Senator Milne asked:

Senator MILNE—Who are you working with on the abatement potential if you were to abolish the fringe benefits tax for motor vehicles?
Mr Comley—That is a discussion with Treasury.
Senator MILNE—You are having that discussion?
Mr Comley—We have had that discussion in the past about the likely abatement.
Senator MILNE—What is the likely abatement from the abolition of the fringe benefits tax?
Mr Comley—I do not have a specific figure. I am not sure if we landed on a specific figure but my recollection is that it is relatively modest.
Senator MILNE—Would you be able to take on notice, please, the assumptions you made, and the estimate in relation to that?
Mr Comley—I will take it on notice.

Answer:

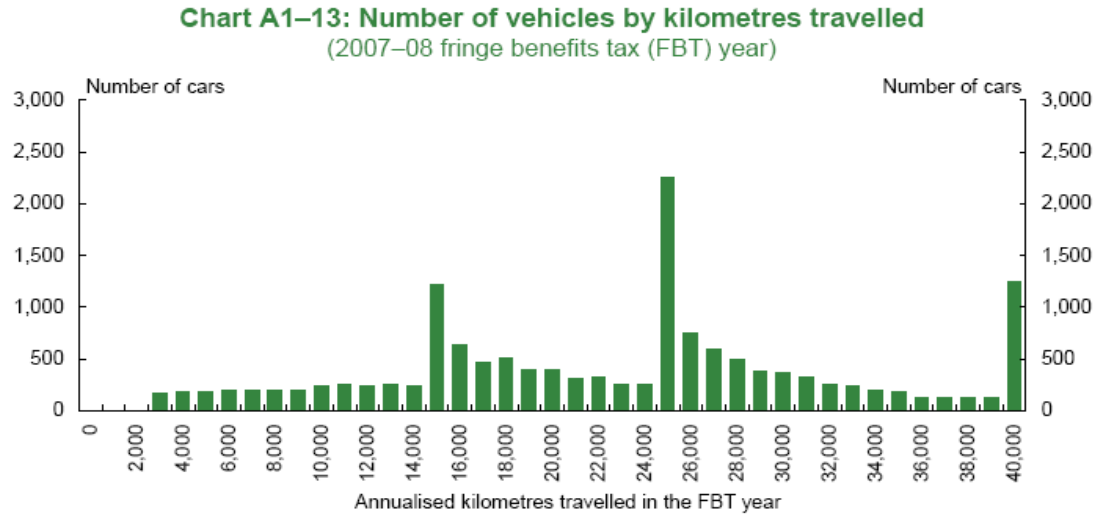
The Department assumes Senator Milne refers to the reform rather than the abolition of the fringe benefit tax (FBT). The abolition of the FBT would provide an incentive for increased car use.

The Department has done preliminary analysis of the potential greenhouse gas abatement from implementing recommendation 9b from *Australia's Future Tax System: Report to the Treasury* (released in December 2009), namely reforming the treatment of car FBT.

The existing statutory formula for valuing car fringe benefits applies a reduced taxable value the further a vehicle is driven. The current statutory percentages used to determine the taxable value of cars are as follows:

Total kilometres travelled during the FBT year	Statutory percentage
Less than 15,000	26
15,000 – 24,999	20
25,000 – 40,000	11
Over 40,000	7

At the points where the statutory percentage falls (15,000, 25,000 and 40,000 kilometres) there is an incentive for individuals to increase their travel to reduce their tax obligation. Chart A1-13 from the *Australia's Future Tax System* report included below shows that there are large spikes in the number of FBT cars reporting kilometres driven just above the points at which the statutory percentage falls.



Source: Based on SG fleet submission to the 2009 Review of Australia's Automotive Industry, as cited in the AFTS submission of the Federal Chamber of Automotive Industries.

Recommendation 9b of *Australia's Future Tax System* suggests replacing the current formula with a single tax rate of 20 per cent irrespective of kilometres driven.

The Department's preliminary analysis suggests that this reform may lead to emissions abatement of less than 1 Mt CO_2-e in 2020. The basis of this preliminary analysis is the assumption that a large proportion of those currently reporting 15,000 and 25,000 kilometres per year would drive fewer kilometres.

This estimate is preliminary. A more reliable estimate could be made if more detail was provided on the actual policy to be implemented.