

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates – 25–26 February 2009

Question: aet 53

Topic: Carbon Pollution Reduction Scheme

Hansard Page: E77 (25 February 2009)

Senator MILNE asked:

Senator MILNE—...Why are you estimating that just under 10 per cent of the five per cent needs to come from imported permits? I assume that you will say ‘because it is cheaper to import the emission reduction than to do it ourselves’.

Ms Quinn—The modelling found that there were low-cost options overseas in other countries and suggested that we import 10 per cent of our permits. That would be a more efficient way to reduce Australia’s allocation.

Senator MILNE—Where were these low-cost options overseas? What were your assumptions about where you would get them from?

Ms Quinn—Most of the low-cost options come from countries that have low-cost abatement. I cannot tell you precisely how much of the 10 per cent would come from each country; I do not have that data in front of me. But, in general, low-cost abatement was found in the modelling to be in countries that have low marginal costs of reducing emissions, and these tend partly to be developing countries. The United States also has quite low-cost abatement opportunities.

Senator MILNE—Can I have a breakdown of where you estimated your 10 per cent of the low-cost permits would be? Just take that on notice—I do not expect you to have it here now—in terms of where you were estimating.

Answer:

The *Australia's Low Pollution Future* report assumes all international trade in permits occur through a global trading pool. The modelling contains results on the net permit sales/purchase by country in the global trading pool. For example, in 2020 the proportion of net permit sales/purchase in the global trading pool in the GTEM model is provided below:

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Table 1: Number of carbon permits (net), under the CPRS -5 in 2020

	Net Purchases	Net Sellers	Proportion of net sellers
United States	-572		
EU	-384		
China	-40		
Russia	-346		
Japan	-99		
India		248	16%
Canada	-66		
Australia	-49		
Indonesia		78	5%
South Africa		1	0%
Other Asian		233	15%
OPEC		4	0%
Rest of the world		993	64%
Total	-1556	1556	100.0%