

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

10 – 11 February 2010

**Question: aet 103**

**Topic: Government's ETS Modelling**

**Hansard Page: Written**

**Senators NASH & BIRMINGHAM asked:**

1. What modelling has been done in relation to increases in the price of electricity under the Government's planned ETS? What are the expected increases for:
  - a) home owners
  - b) business
2. What modelling has been done in relation to the cost impact on specific goods and services, such as a
  - a) birthday cake,
  - b) bus ticket,
  - c) average household electricity bill
3. Has the Government undertaken modelling taking into account international actions? If so, what was it?

**Answer:**

1. Modelling of the price impacts of goods and services has been conducted using Treasury's Price Revenue Incidence Simulation Model (PRISMOD). PRISMOD is a large-scale, highly disaggregated model of the Australian economy which captures the flows of goods between industries and final consumers. The data used in PRISMOD comprises the transactions and consumption patterns of 109 industry categories and seven categories of final demand. The 2008 version of the PRISMOD is based on data from the 2004-05 Input-Output Tables (ABS, 2008).

Treasury modelling involving PRISMOD has estimated that electricity prices for the average household increase by 7 per cent for the year 2011-12 and 12 per cent for the year 2012-13. Businesses that purchase electricity at the retail price would have the same cost increases.
2. Following from above, PRISMOD does not disaggregate to the specific level of detail required to estimate the price of a birthday cake or a bus ticket, but has estimated that food costs for the average household increase by \$68, or less than 1 per cent, over the two year period 2011-12 to 2012-13. The cost of the average household electricity bill is expected to increase by around \$88 in 2011-12 and an additional \$120 in 2012-13.

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3. The Government has undertaken the largest and most detailed modelling project in Australia in order to assess the economic implications of the Carbon Pollution Reduction Scheme (CPRS). The Government's *Australia's Low Pollution Future: The Economics of Climate Change Mitigation* (ALPF) report focuses on the global and Australian costs of climate change mitigation.

The CPRS scenarios assume a multi-stage approach and the timings for developed and developing economies entering occurs over time. Details are available on page 82 of the Government's ALPF report.