

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 2012

15 – 17 February 2012

Question: AET 131-135

Topic: Carbon Pricing Modelling, Electricity Pricing

Hansard Page: Written

Senator BIRMINGHAM asked:

1305. What is the predicted annual increase in electricity prices out to 2050?
1306. What is the predicted increase in electricity prices out to 2050 without a carbon tax or ETS?
1307. What is the expected annual revenue out to 2020 from foreign carbon credits?
1308. Given the failure of the United Nations Climate Change Conference in Durban to reach any conclusive agreement on international action on climate change, will there be any revised modelling taking this into account?
1309. In light of the increase in the Australian dollar, has the Department calculated relative to other countries how expensive Australia's carbon tax now is? If not, are there any plans to undertake such calculations at any time in the future?

Answer:

1305. Table 5, on page 12, of the *Strong growth, low pollution* update shows per cent increases in household electricity prices out to 2050 in the Government policy scenario.
1306. Chart 4.18, on page 74, of the *Strong growth, low pollution* report shows the increase in household electricity prices to 2050 in the absence of a carbon price.
1307. Treasury has consistently stated that we think that longer term fiscal costings have a low reliability. This is consistent with the evidence of former Treasury Secretary Dr Ken Henry to the Senate Economics Legislation Committee on 24 February 2011 regarding long term costings of the Resource Super Profits Tax. Noting the significant volatility of the Australian dollar and the poor quality of such estimates beyond the forward estimates period, the then Secretary said that "frankly, there is something actually quite unreasonable about producing 10-year revenue estimates for a tax like this."
1308. At the UNFCCC Durban meeting, countries reaffirmed their Cancun commitments. The modelling in *Strong growth, low pollution* was based on these commitments.
1309. Treasury's most recent modelling of the economic effects of a carbon price is reported in the *Strong growth, low pollution* update.