

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Resources, Energy and Tourism Portfolio

Budget Senate Estimates

2 June 2009

Question: BR-2

Topic: Fisher Analysis

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Senator Cameron asked:

Senator CAMERON—I am sure they were well aware what I was going to ask! It is quite clear, I think. In terms of the Fisher analysis, are you aware of what reference case was used in that modelling? Have you had a look at the modelling at all?

Mr Clarke—No, Senator. I am not sure if we have an officer present who has gone through it to that depth.

Senator CAMERON—Does your department engage in modelling at all?

Mr Clarke—No, we do not undertake independent modelling. We do not have modelling capacity inside this department.

Senator CAMERON—Do you commission modelling?

Mr Clarke—We commission modelling from ABARE and we rely on Treasury for the broader modelling context.

Senator CAMERON—You would understand about reference cases?

Mr Clarke—Absolutely. I understand the nature of your question. I do not have a specific answer as to what was the reference case or the business as usual that Mr Fisher assumed in that report.

Senator CAMERON—Would your department be looking at that, do you think?

Mr Clarke—I am sure there is an officer in the department that has studied the Fisher report and briefed on it; I am just not sure if I can bring them to the table immediately.

Senator CAMERON—That is fine. Could you take on notice the reference case in the Fisher report?

Mr Clarke—I am happy to do that.

Senator CAMERON—Could you also comment in relation to the Fisher report on the department's view about the capacity to accurately engage in regional analysis? I am advised that in most modelling you do not go into regional or subregional levels. It is highly unusual and inaccurate.

Mr Clarke—It is certainly the case that very few of these models have the capacity to forecast impacts at a regional level; they tend to operate on a whole of economy basis.

Senator CAMERON—Your experience in this model is it is unusual to go into this sort of depth of analysis?

Mr Clarke—There are some models available to government and industry that do work at a regional level, but I acknowledge the point that you are making that regional level forecasting is much more complex and perhaps inherently less reliable than macro level.

Senator CAMERON—Could you also take on notice as to whether the department is of the view that this Fisher analysis has effectively dealt with the issue of carbon capture and storage and other abatement measures when it has come to its projections?

Mr Clarke—Yes, I am happy to incorporate that in our response.

Senator CAMERON—Could you also give us some idea as to the input and output tables in that modelling and how they have rebalanced the input and output tables?

Mr Clarke—You are talking about the IO tables that Mr Fisher's report relied on?

Senator CAMERON—Yes.

Mr Clarke—And how they changed through the course of the analysis? I am happy to provide that, Senator.

Senator CAMERON—Thanks. I think that will do me on that.

Answer:

The Department reviewed the Concept Economics report "The Employment Effects in the Australian Minerals Industry from the proposed Carbon Pollution Reduction Scheme in Australia" and provided the Minister for Resources and Energy with an information brief on its main findings.

The Department is not in a position to provide any further analysis of the report given the level of detail provided in the report. The report did not include any detail about the model used or assumptions used in developing the 'reference case' other than to attempt to replicate Treasury modelling as best it could based on publicly available information.

In relation to questions raised by Senator Cameron about the 'reference case', the treatment of carbon capture and storage and other abatement measures, and the rebalancing of input/output tables we have no additional information to that already provided by Dr Brian Fisher to the Senate Economics Legislation Committee on 29 May 2009.