

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

1 June – 3 June 2010

**Question: BET 40**

**Topic: Carbon Emissions – 50 %Reduction**

**Hansard Page: E33-34 (02/06/2010)**

**Senator BOSWELL asked:**

**Senator BOSWELL**—...I have got two questions to ask and then you will not need the document—but I will go and get it for you. In the ACTU-ACF report, they model their preferred option of reducing carbon emissions by 50 per cent by 2030. They judge that the ratio of household debt to gross disposable income will stabilise at around 200 per cent. What would be the implications if we tried to reduce carbon emissions by 50 per cent? This is your mob, Doug.

**Dr Gruen**—As you know, Treasury did some modelling about what would be the economic implications of reducing carbon emissions over an extended period, and I think we have been through that on many occasions. I think the report on the economics of introducing emissions trading talked about what the economic implications would be of deep cuts in carbon emissions over an extended period of time. The answer to that was that, for most of the scenarios that were looked at, it meant that average growth was slower by 0.1 per cent per annum.

**Senator BOSWELL**—Per what—one per cent, two per cent?

**Dr Gruen**—Sorry? It reduced GNP per capita growth by 0.1 per cent per annum for the scenarios that were modelled by the Treasury.

**Senator BOSWELL**—But that was a five per cent reduction. What would 50 per cent do?

**Dr Gruen**—It rounds to the same number, if my memory is correct. But Mr Ewing will know this—

**Mr R Ewing**—I was not entirely certain what time period the 50 per cent was referring to?

**Dr Gruen**—Yes, it will depend.

**Senator BOSWELL**—I am quoting the ACTU and ACF report. Their preferred option for reducing carbon emissions was by 50 per cent—

**Dr Gruen**—By when?

**Senator BOSWELL**—by 2030.

**Dr Gruen**—Okay. Well, that is a deeper cut than would have been modelled in our modelling.

**Mr R Ewing**—I do not have the exact figures to hand. We probably have numbers in that broad area, as the Garnaut minus 25 scenario had a 25 per cent reduction from 2000 levels in 2020, which then went on to a 90 per cent reduction by 2050, and in

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that case the figure that Dr Gruen quoted is the case: it was a reduction in growth of 0.1 per cent per annum, I believe, in GNP.

**Senator BOSWELL**—Okay. So you think it will reduce GDP by 0.1 per cent?

**Dr Gruen**—The growth rate.

**Mr R Ewing**—Annual GNP growth by 0.1 per cent. The total impact on GNP would be different.

**Dr Gruen**—Of course, this depends on imposing a carbon price and therefore the reductions being on the minimum cost basis.

**Senator BOSWELL**—What would the carbon price go to, then, if the 50 per cent reduction by 2030 was implemented?

**Dr Gruen**—Sorry, Senator, we have not done that particular scenario, but you could certainly find out the carbon price for the Garnaut minus 25 scenario that Mr Ewing was talking about. That would have been in the report.

**Senator BOSWELL**—Mr Ewing, would you have any idea what that was, off the top of your head?

**Mr R Ewing**—In what year would you be interested in the carbon price?

**Senator BOSWELL**—2030.

**Mr R Ewing**—I do not have that figure to hand, I am afraid. I will have to take that on notice.

**Senator BOSWELL**—What figures have you got there?

**Mr R Ewing**—I have 2020 and 2050.

**Senator BOSWELL**—Give us both, then.

**Mr Ewing**—In the Garnaut 25 scenario we had an emissions price in real 2005 Australian dollars of \$60 in 2020, which was increasing to \$197 in 2050. If you did the maths you could work 2030 from that, I just do not have that figure in front of me.

**Senator BOSWELL**—I am sure you could do that for us, as you are more qualified than I am.

**Dr Gruen**—We will take it on notice.

**Answer:**

In the Government's *Australia's Low Pollution Future: The Economics of Climate Change Mitigation* projects the Garnaut -25 scenario carbon price, in real 2005 Australian dollars, to be \$87 in the year 2030.