



**Fact Sheet**

## Carbon Pollution Reduction Scheme - deferral

This fact sheet provides information on the financial impacts of the Government’s decision to defer the introduction of the Carbon Pollution Reduction Scheme (CPRS). See the Cross-Portfolio revenue measure titled *Carbon Pollution Reduction Scheme - deferral* in the *2010-11 Budget*.

The CPRS imposed a net cost on the Budget in both underlying cash balance and fiscal balance terms. This is because the cost of assistance measures exceeded the revenue raised by the scheme. The deferral of the CPRS removes this net cost, and thereby leads to an improvement in the Budget position.

**Table 1: Budget improvement from deferring the CPRS plus additional savings, from 2009-10 to 2013-14<sup>1</sup>**

Measure	Underlying Cash Balance (\$ million)	Fiscal Balance (\$ million)
CPRS package deferral		
Gross revenue raised by permits <sup>2</sup>	- 29,839	- 27,850
Cost of assistance measures <sup>3</sup>	+ 30,253	+ 30,599
Net impact of deferring CPRS package	+ 415	+ 2,749
Additional net departmental expenses	+ 238	+ 238
<b>Total Budget improvement</b>	<b>+ 652</b>	<b>+ 2,987</b>

1 These figures reflect parameter updates since Mid-Year Economic and Fiscal Outlook (MYEFO) 2009-10. The impacts of post-MYEFO 2009-10 announcements have netted out for Budget purposes.

2 This only reflects potential revenue from 100 per cent sale of permits. The net revenue in the *CPRS – deferral* measure is lower as it includes other revenue items related to the fuel tax and household assistance measures.

3 This includes both revenue and expense related household and industry assistance measures.

In underlying cash balance terms, the deferral of the CPRS package leads to an improvement of \$415 million over five years from 2009-10. Combined with additional net departmental savings of \$238 million, the improvement to the underlying cash balance is \$652 million.

- The Government’s commitment to offset all new spending is cast in terms of the underlying cash balance, as typically is its reporting of the budget bottom line. The \$652 million improvement in the underlying cash balance has been fully allocated to the new Renewable Energy Future Fund, which will form part of the Government’s expanded \$5.1 billion Clean Energy Initiative.

In fiscal balance terms, the deferral of the CPRS package improves the fiscal balance by \$2.7 billion over five years from 2009-10. Combined with additional net departmental savings of \$238 million, the improvement to the fiscal balance is \$2,987 million.

The difference between the two measures is primarily caused by the accounting treatment of revenue that is raised by selling future year permits (i.e. permits that allow you to pollute in a future year).

- For the underlying cash balance, these future year permit sales are booked as soon as the cash is received.
- For the fiscal balance, the permit revenues are allocated to the year the emissions occur. This means that about \$2 billion in revenue is pushed beyond the forward estimates.
- Further detail on this accounting treatment is available in Statement 5 of the *2009-10 Budget*.

As noted above, as the CPRS had a negative impact on the underlying cash balance of \$652 million, the removal of the CPRS from the forward estimates only improves the underlying cash balance by this amount.