

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 13

Topic: Carbon Tax

Hansard Page: Written

Senator Boswell asked:

1. Treasury has provided estimates of the economic cost of a carbon tax as part of its work for Garnaut and the government (Targets and Trajectories 2008).

Two headline levels of reduction in emissions have been:

- The government's first stage reduction of 5% below 1990 levels (around 27% on business as usual);
- 90% per capita reduction by 2050.

For the former, Treasury estimated a tax of \$52.6 (\$2005) was required and a cost in GNP was put at 1.4%. For the latter, a tax of around \$250 per tonne of CO₂ is required (\$2005) and the loss of GNP by 2050 is put at 2 to 4%.

Could you advise

- What level of tax and GNP loss do you now estimate to meet these targets?
- The modelling assumes a considerable introduction of new technology and technology advances, most of which (e.g. carbon capture and sequestration) is unproven. What would be the tax effect and the loss of GNP effect if this technology or its adoption is not forthcoming?

2. The Institute of Public Affairs in a submission to the Senate estimated the carbon tax equivalent of the 20% renewable by 2020 requirement is around \$13 per tonne.

- Does the department have an equivalent level of tax?
- Is this tax additional to an actual carbon tax and if so by how much?

3. The Greens are advocating a feed-in tariff as a complement to a carbon tax. We have experience of these tariffs in NSW, Victoria and elsewhere. Some of the subsidies have proven over-generous. The National Generators Forum estimated the subsidised NSW scheme that gave a 60 cents feed-in price as being the equivalent of a carbon dioxide tax of between \$520 and \$640 per tonne.

4. Could you comment on this costing, provide estimates of the carbon dioxide tax equivalent of the reformed NSW scheme on the costs per tonne of other feed-in tariffs around Australia.

Answer:

Q 1 The 2011 Government report *Strong Growth, Low Pollution: Modelling a Carbon Price* provides details of modelling of the effect of a carbon price on the economy.

Q 2 The Treasury has not modelled the carbon price equivalent of the Renewable Energy Target.

Q 3 and 4 The Treasury has not modelled the carbon price equivalent of the New South Wales feed-in tariff.