Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 248

Topic: Reductions

Hansard Page: Written

Senator Birmingham asked:

Based on a carbon tax starting at each of the following prices in 2012, and increasing by 4 per cent per annum in real terms for a period of five years, what reductions in greenhouse gas emissions in Australia against 'business as usual' levels would be expected to occur?

a. $5
b. $10
c. $15
d. $20
e. $25
f. $30
g. $35
h. $40
i. $45
j. $50

Answer:

In the Government's *Strong growth, low pollution: modelling a carbon price* (SGLP) report, the Treasury modelling considered two policy scenarios. The two policy scenarios are:

- Core policy scenario – assumes a world with a 550 parts per million (ppm) stabilisation target and an Australian emission target of a 5 per cent cut on 2000 levels by 2020 and an 80 per cent cut by 2050. Assumes a nominal domestic starting price of A$20/t CO_2-e in 2012-13, rising 5 per cent a year, plus inflation, before moving to a flexible world price in 2015-16, projected to be around A$29t/ CO_2-e.

- High price scenario – assumes a world with a more ambitious 450 ppm stabilisation target and an Australian emission target of a 25 per cent cut on 2000 levels by 2020 and an 80 per cent cut by 2050. Assumes a nominal domestic starting price of A$30/t CO_2-e in 2012-13, rising 5 per cent per year, plus inflation, before moving to a flexible world price in 2015-16, projected to be around A$61/t CO_2-e.

The Treasury modelling for the Government's SGLP report also included a low price sensitivity with a nominal domestic starting price of A$10/t CO_2-e in 2012-13 rising 5 per cent per year plus inflation

over a fixed price period of ten years. It assumes the same international settings as the core policy scenario.

Under the core policy scenario, Australia's domestic abatement is 58 Mt CO_2-e by 2020 and 463 Mt CO_2-e by 2050. In the high price scenario, domestic abatement is 130 Mt CO_2-e by 2020 and 628 Mt CO_2-e by 2050. The lower price sensitivity run induces only 26 Mt CO_2-e of abatement in 2020 — less than half of the abatement in the core policy scenario.