

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 648

Topic: Clean Energy Future Plan – Estimated House Hold Impact

Hansard Page: Written

Senator Birmingham asked:

648. What is the margin of error of the estimated household impact under the government's clean energy future plan?

Answer:

The Treasury carbon tax modelling of the consumer price impacts incorporated the latest information available at the time the modelling was released. Our estimates are likely to overstate the estimated carbon pricing related costs as we have assumed those costs are fully passed through to households with household consumption patterns and business inputs and outputs remaining fixed. In reality, we would expect over time that households and business will adjust their behaviour which will have the effect of lowering the consumer price impact.

Historically, Treasury modelling of consumer price impacts of policy initiatives has also been robust. Please refer to our written response to a Question on Notice from the *Senate Select Committee on the Scrutiny of New Taxes: Inquiry into a carbon tax* on 23 September where we have responded to the accuracy of the Treasury modelling of the estimated impact of the GST on consumer prices as part of The New Tax System in 2000-01 (Question 4).