

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 649 -653

Topic: Clean Energy Future Plan #3

Hansard Page: Written

Senator Birmingham asked:

649. Are there circumstances where the modelling of the government's clean energy future plan predicts assistance for emission intensive trade exposed industries exceeds 100 per cent?

a) If so, please detail.

650. What will the modelled variation in the average annual growth in real wages from 1.2 per cent under the medium global action reference scenario to 1 per cent under the Government policy scenario translate to in actual real wages? (ie – what would the real wage be under the medium global action reference scenario and what would it be under the Government policy scenario.)

651. Exactly what assumptions does the Treasury modelling make of international action pre 2020 and international action post 2020.

652. At each of 2020 and 2050 what countries or regions are assumed to be net sellers of international abatement permits and what countries or regions are assumed to be net purchasers of international abatement permits?

a) Given the expected carbon price in 2020 and 2050, what is the annual estimated value of these transactions for each country or region modelled by Treasury?

653. How is it that the nominal cost of carbon permits will rise 1500% between now and 2050, the real cost will rise 500% between now and 2050, but electricity will only rise 15% between now and 2050 (in measures attributable to the carbon tax)?

Answer:

649. In the modelling for *Strong growth, low pollution: modelling a carbon price* (SGLP) report, a cap of 100 per cent of scope 1 and scope 2 emissions is imposed on assistance for emission-intensive, trade-exposed (EITE) industries. In the modelling for the SGLP Update, the

scenarios do not impose a maximum cap to reflect policy. The alumina industry grows slightly more strongly to 2020 in the Government and Clean Energy Future scenarios, because the cap on transitional assistance to EITE industries assumed in the SGLP core scenario no longer affects it.

650. The level of real wages is published in Chart 5.12, published on the Treasury web site (<http://www.treasury.gov.au/carbonpricemodelling/content/default.asp>).
651. Assumptions on international action for the two global action scenarios modelled are described in detail in section 3.1.1 in page (31-34) of the SGLP report.
652. No GTEM regions are assumed to be a net sellers or buyers of abatement. International permit trading is determined by the model based on the relative cost of abatement in different regions.
653. Carbon pricing will increase the cost of coal-fired electricity generation and drive the take up of cleaner, but more expensive, technologies. This will increase wholesale electricity prices. As carbon permits will be only part of the cost of electricity generation, any change in the carbon price will result in a smaller percentage change in wholesale electricity prices.

Higher wholesale electricity prices will flow into retail prices paid by households, but the percentage impact is lower than for wholesale prices, as wholesale prices form only part of total retail prices.

Treasury projections for the carbon price, wholesale electricity prices and retail electricity prices are published in the SGLP report (chart 5.1, and tables 5.14 and 5.15).