

Senate Standing Committee on Finance and Public Administration

ANSWERS TO QUESTIONS ON NOTICE

Prime Minister and Cabinet Portfolio

Department of the Prime Minister and Cabinet

Additional Estimates 23-27 February 2009

Question: PM16

Outcome 1, Output 1

Topic: Emissions reduction through Nation Building and Jobs Plan

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Date set by the committee for the return of answer: 9 April

Senator Brown asked:—I want to ask about the Prime Minister’s ministerial statement on the Nation Building and Jobs Plan in which he announced the proposal for insulating ceilings and putting in solar hotwater systems in which he said, inter alia, that the program would include a reduction in emissions of some 49.9 million tonnes. What I want to ask is: is that so? What has the Prime Minister or his department got to say about the very compelling evidence, as we have seen in the newspapers from the Australia Institute and Dr Denniss, that emissions saved through this program—that is, insulating ceilings and putting in solar hot-water services—will simply allow other polluters to keep polluting more, if you are going to have a five per cent target. Dr Denniss says:

Fewer emissions from an individual mean more emissions from an aluminium smelter. Fewer emissions from one state simply mean more emissions from another state.

Consider this example. If a family installs a solar hot water system on their roof, they will need to purchase less electricity. The coal-fired power stations that supply that power will burn a bit less coal and, as a result, will produce fewer emissions. Now that the power station has lowered its emissions, it will need fewer permits, freeing up spare permits that it can then sell to the aluminium industry or any other large polluter.

Was the Prime Minister not wrong when he said of the insulation program:

Once fully implemented, the initiative could result in reductions of greenhouse gas emissions by 49.9 million tonnes by 2020, or the equivalent of taking one million cars off the road.

In effect, that is not so, is it? He had it wrong. It simply will allow aluminium or coal producers, for example, to keep polluting more than they otherwise would have, because they will get the pass-on of the permits from all of the households in Australia reducing their emissions.

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Senator Faulkner—While I note your comment in relation to Senator Wong, I would make the point to you that of course I am more than happy to take the issue on notice for the Prime Minister and to put to him the time constraints that you have mentioned. I can also respectfully say that, at some point, this committee will examine the estimates of the Department of Climate Change and that I am happy to pass on to my colleague Senator Wong that you have raised this issue. The officials or the minister there may be able to give you more information than I can. I hope you appreciate that this information is not available to me or to Mr Mrdak, but that is the best spirit I can apply to this. If it assists you, I will flag with my colleague, at the earliest available opportunity, this matter that you have raised and indicate to her that you may well raise it at estimates when her department is being examined by this committee.

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CHAIR—Which will be this evening.

Senator BOB BROWN—I would thank you if you would do that, but I would like a response from the Prime Minister, and I—

Senator Faulkner—I have said that I appreciate and have acknowledged your request. I have said that I have taken your request on notice. And I have gone beyond that by saying I will try to see if it is possible to provide a response within the time frame that you have asked for. I cannot do any more than that. I cannot say to you any more than that I will ensure the Prime Minister is aware of your questioning and that the timing of your question is known to him. I can do no more than that. And I will do that—I know that does not provide the sort of guarantee you are looking for, but it is the best I can do at this stage.

Answer: Under the Carbon Pollution Reduction Scheme (the Scheme), caps on emissions will be set at least five years in advance. The effect of these caps is to limit Australia's aggregate annual emissions from all the covered types and sources of emissions.

As a direct result of setting these firm caps on Australia's emissions, for the first time emissions will peak, then start to decrease each year, reversing the current trend increase. The introduction of the Scheme thus gives confidence in the environmental outcome achieved, and sets in train Australia's transformation to a low carbon economy. This transformation cannot be achieved by regulation and voluntary action alone.

Voluntary household action will reduce the cost impacts of the Scheme, which will assist the government to meet its targets. This is because improving energy efficiency will lower the overall cost of meeting any emissions reduction targets. By lowering the cost of achieving any particular target, strong household action makes it easier for governments to set more ambitious targets in the future.

Voluntary household action such as energy efficiency will also allow households to save money on their energy bills and, in the case of insulation, will improve their thermal comfort.

Energy efficiency is not the only form of voluntary household action that will have an impact under the Scheme. For instance, households that buy electricity from renewable sources or install a solar power system will be helping to accelerate the transformation of the electricity sector to a cleaner low-carbon industry. Households could also, if they wished, contribute to additional national emissions reductions through purchasing, and then retiring, recognised carbon pollution permits, or by directly purchasing offset products (particularly those that conform to the forthcoming National Carbon Offset Standard).