

Senate Finance and Public Administration Legislation Committee
ANSWER TO QUESTION ON NOTICE
Prime Minister and Cabinet Portfolio
Department of Climate Change
Budget Estimates Hearing—May 2009

Written question reference: CC11

Outcome/Output: Outcome 1, Output Group 1.1 – Response to climate change

Topic: Analysis of Minerals Council of Australia and Concept Economics modelling reports

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Question: (Senator Cameron)

Senator CAMERON—I would like to move on to an opinion piece in the *Australian* by the Chief Executive of the Minerals Council of Australia, Mitch Hooke, on 22 May 2009. That article is headed ‘Carbon plan will cause jobs carnage’ and states:

The CPRS scheme will shed 23,510 jobs in the minerals sector by 2020 and more than 66,000 by 2030.

Arising from that article and a Concept Economics report, a number of articles appeared in regional press around the country with various headings, such as ‘Report claims scheme to slash jobs’, ‘Carbon trading costly for Central Queensland’ and ‘ETS will cost 23,500 jobs’. The last was a Western Australian report. Could you explain to me how many jobs will be lost in the minerals industry by 2030 relative to today?

...

Senator CAMERON—Could I ask you to take that on notice and give me some further analysis on these issues that I have raised.

...

Senator CAMERON—Could the department provide on notice a detailed analysis of the Concept Economics modelling and the arguments and outcomes in that modelling so that I can understand it better?

Answer:

The Concept Economics prepared report released by the Minerals Council of Australia contains elements that raise doubts about the robustness of the reported results.

- The report incorporates analysis from Access Economics using their computational general equilibrium model AE-RGEM (Access Economics Regional General Equilibrium Model) and additional employment analysis conducted by Concept Economics using state and regional input-output tables obtained from Monash University.
- No reliable models exist for the analysis of regional impacts in Australia.
- The regional level analysis in the Concept Economics report does not allow for the adoption of abatement technologies at a regional level, nor does it allow for movement of employment and capital between industries at a regional level over time.
- Further, it is noted that the Australian Bureau of Statistics does not provide nor support state level or sub-state regional level input-output tables due to concerns about small sample sizes and poor statistical accuracy.

The Concept Economics report focuses entirely on output and employment changes relative to an unspecified reference scenario. Reporting results in this way can provide a misleading impression of the implications of the Carbon Pollution Reduction Scheme (CPRS) for the economy.

- An aggregate whole economy impact assessment is not included in the report, making it hard to compare against other modelling reports.
 - The report notes that the mining and smelting industries have been adjusted off-model to take account of ‘the lumpy nature of the long lived assets in these industries’. There are no further details on what these adjustments are, or how important they are for the results.

The Concept Economics report claims that “approximately 23,510 fewer people will be employed in the Australian minerals industry” in 2020 due to the CPRS, and refers to this as ‘jobs lost’ and ‘falls in employment’.

- These results are likely to overstate the possible regional employment impacts as the methodology employed is not robust.
- The bulk of this figure represents jobs that are not created in the particular sectors, rather than reductions from current levels in these sectors. The reference case and modelling are not well documented, and so it is difficult to assess changes in employment relative to today.

Impacts projected for coal by the Concept Economics report appear much larger than those suggested by the Government’s analysis, with the former projecting output 12-42 per cent lower than their reference case in 2020 compared to an unpublished government projection that is 7 per cent lower than the reference case in the CPRS -5 scenario.

- The Government’s modelling published as *Australia’s Low Pollution Future* (ALPF) suggests that in the CPRS -5 scenario coal output in 2020 is over 20 per cent higher than in 2009. These results do not factor in any financial support for the coal industry.
- The value of coal output grows by at least 30 per cent above 2008 levels by 2050 under all ALPF scenarios. In the CPRS -5 scenario, coal output grows by more than 60 per cent.
 - National and global action to reduce emissions will raise significant challenges for coal in Australia and around the world, but is also expected to create opportunities for Australian coal.
 - Over the medium to long term, ALPF modelling suggests that global action on climate change would see Australian coal secure a larger share of the world coal trade because Australian coal has relatively low emissions.

The Concept Economics report does not factor in the Government’s announcements of 4 May 2009, including the one year delay, \$10 fixed price permits in 2011-12 and the additional transition assistance to emission-intensive trade-exposed industries.

- The report states that these announced changes would not materially alter the CPRS impact on the mining industry. This view is not shared by other industry associations which have welcomed these measures.