

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: CC63

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

Topic: ACIL Tasman and Concept Economics reports regarding job losses

Hansard Page: Not relevant for written QoN

Question: (Senator Cash)

The Government continues to maintain that there will be employment growth in all major employment sectors in the years ahead even with the introduction of the CPRS. Both the ACIL Tasman report and the Concept Economics report commissioned by the Minerals Council of Australia concluded that introduction of the CPRS in its current form will result in 10,000 fewer people employed directly and indirectly in the coal industry in the first 10 years of the Scheme. How does the Government reconcile this huge difference in modelling outcomes?

Answer:

The Concept Economics report prepared for the Minerals Council of Australia is likely to be unreliable, is not transparent, and if not interpreted carefully, is likely to be misleading.

The report states that ‘first round employment effects’ of the Carbon Pollution Reduction Scheme (CPRS) on the mining industry are obtained. These results are likely to overstate the possible regional employment impacts as the methodology employed is not robust.

- No reliable models exist for the analysis of regional impacts in Australia.
- In particular, the regional level analysis 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 or support state level or sub-state regional level input-output tables due to concerns about small sample sizes and poor statistical accuracy.

The modelling is not transparent. 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’ but there are no further details on what these adjustments are, or how important they are for the results.

The Concept Economics report is potentially misleading in two respects. First, the report refers to ‘jobs lost’ and ‘falls in employment’. In reality the bulk of these figures represent jobs that are not created in the particular sectors, rather than reductions from current levels in those sectors.

The reference case and modelling are not well documented, and so it is difficult to assess changes in employment relative to today.

Secondly, the 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 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 ACIL Tasman report too refers to ‘negative consequences for employment’ that include jobs that are not created in the particular sectors, rather than reductions from current levels in those sectors. As with the Concept Economics report, the reference case is not well documented so it is difficult to assess changes in employment relative to today.

In contrast, the Government’s modelling of the CPRS, published as *Australia’s Low Pollution Future*, reports impacts at sector, state and national levels to provide a comprehensive picture.

- It projects the value of output to increase by more than 50 per cent by 2050 in coal mining, gas extraction, metal products, and sheep and cattle industries, and by more than 100 per cent in transport, construction, cement, and grains and other agricultural sectors.
- Over the medium to long term, it 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.
- From an employment perspective, it projects that output from all major sectors will grow over the years to 2020, delivering substantial increases in national employment from today's levels.