

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: CC64

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

Topic: Concept Economics report; Treasury modelling re job losses

Hansard Page: Not relevant for written QoN

Question: (Senator Cash)

The Treasury modelling lacked detail on how regional areas would be impacted by the CPRS. The Concept Economics Report however found that 1950 direct jobs would be lost by 2020 in Central Queensland alone. How does the Government expect coal miners in regional areas to fund jobs?

Answer:

The Government's modelling, published as *Australia's Low Pollution Future* (ALPF), did not give projections for how regional areas would be impacted by the Carbon Pollution Reduction Scheme (CPRS) because no reliable models exist for analysis of these impacts in Australia.

The employment projections for Central Queensland, and other regional areas, contained in the Concept Economics report are 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.

Also, the bulk of so-called 'job losses' and 'falls in employment' particular sectors in that report represent jobs that are not created in those sectors, rather than reductions from current levels. In the Concept Economics report, the reference case and modelling are not well documented, and so it is difficult to assess changes in employment relative to today.

The ALPF modelling shows that Australia can continue to achieve strong trend economic growth while making deep cuts in emissions through the CPRS, and that almost all industry sectors across the economy continue to grow. 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, the 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.

From an employment perspective, the ALPF modelling projects that output from all major sectors will grow over the years to 2020, delivering substantial increases in national employment from today's levels.

A report published last year by the United Nations Environment Programme *Green Jobs: Towards decent work in a sustainable, low-carbon world* defines green jobs as “work in agricultural, manufacturing, research and development, administrative, and service activities that contribute substantially to preserving or restoring environmental quality. Specifically, but not exclusively, this includes jobs that help to protect ecosystems and biodiversity; reduce energy, materials, and water consumption through high efficiency strategies; de-carbonize the economy; and minimize or altogether avoid generation of all forms of waste and pollution.”

This emphasises that there will be new ‘green’ jobs created in every sector of the economy as the businesses in those sectors change what they produce and how they produce it in response to the CPRS and other policies designed to achieve a sustainable economy. There will be few communities in which the skills of some of their people and some of the resources that they have access to, cannot be put to different uses to produce products and services with lower carbon emissions. For example, we know that tourism is growing strongly in Queensland, both on the coast and in inland areas.

Inevitably, managing these changes will be more difficult for some communities than for others. As part of the Climate Change Action Fund the Government has allocated \$200 million to assist workers, regions and communities where a clear and sizeable burden is identified or is highly likely to occur. It has also allocated \$750 million to promote abatement activity and reduce transitional costs in the coal sector.