

**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:** CC70

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

**Topic:** CPRS modelling

**Hansard Page:** Not relevant for written QoN

**Question:** (Senator Williams)

- a) Will Australia continue to pursue an Emissions Trading Scheme if other major emitters do not agree to participate?
- b) Does the Government believe the economic loss and job losses that will follow the introduction of the CPRS is worth the environmental benefit of the scheme?
- c) What modelling shows this?

**Answer:**

- a) Emissions trading is the way major countries are moving. Last month's G8 summit endorsed emissions trading schemes such as our Carbon Pollution Reduction Scheme (CPRS) as central to reducing emissions around the world. The European Union has had an emissions trading scheme since 2005. The New Zealand emissions trading scheme commenced in 2008, although is currently being reviewed. The US is currently debating one, and other advanced countries are working towards emissions trading – Japan, South Korea and Canada, to name a few.

Experience around the world, and economic modelling and analysis have demonstrated that emissions trading enables global, and national, emissions to be reduced at least cost.

The Government and now the Opposition, have set a unilateral target of a five per cent reduction below 2000 levels by 2020. This represents around a 138 million tonne reduction in 2020 compared with business as usual. Accordingly, even the unilateral target will require a broad low-cost approach.

- b)-c) The Government's modelling, published as *Australia's Low Pollution Future*, shows that Australia can continue to achieve strong trend economic growth and increases in employment while making deep cuts in emissions through the CPRS.
  - The modelling estimates that reducing emissions to reduce the risk of dangerous climate change would result in real gross national product (GNP) per capita growth slowing by around one-tenth of one per cent per year.
  - From an employment perspective, the 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.

The Garnaut Climate Change Review examined both the cost to Australia of climate change itself and the cost of policy action to reduce greenhouse gas emissions. It found that the costs of action are less than the costs of inaction. Based on this modelling, the Government believes that the CPRS will have environmental and, over the longer term, net economic benefits for Australia.