

## **Appendix 6**

### **Terms of Reference of the peer review undertaken by Dr Brian Fisher**

#### **A PEER REVIEW OF THE TREASURY MODELLING OF THE ECONOMIC IMPACTS OF REDUCING EMISSIONS**

That Dr Brian Fisher (former Executive Director of ABARE and currently of Concept Economics) be engaged to provide a review of the Treasury Modelling Australia's Low Pollution Future: The Economics of Climate Change Mitigation including all relevant publicly available information, and having requested full access to the government's model, documentation, codes and databases, any further information made available by the government, with particular reference to the following:

1. Sensitivity analysis of the assumptions on which the modelling has been undertaken;
2. The impact on global emissions of the government's proposed emissions trading scheme and the potential leakage of Australian jobs and industry in:
  - 2.1 emission intensive trade exposed industries such as aluminium, LNG, cement and agriculture;
  - 2.2 non trade exposed industries such as electricity.
3. The economic and environmental consequences of the Government's proposed eligibility thresholds for emissions intensive, trade exposed (EITE) industry assistance;
4. The consequences of more realistic assumptions concerning:
  - 4.1 the likelihood of the rest of the world taking similar actions to Australia;
  - 4.2 the participation of China in a global emissions trading scheme by 2015;
  - 4.3 the participation of India in a global emissions trading scheme by 2020;
  - 4.4 the immediate participation of the United States in a global emissions trading scheme;
  - 4.5 the likelihood of a global agreement being sustained through the year 2050;
  - 4.6 commercial scale availability and use of carbon capture and storage technology, particularly in the light of assumptions regarding the path of the carbon permit price;
  - 4.7 low or non-existent barriers to international trade in carbon permits;
  - 4.8 the taxation treatment of permits, both in Australia and overseas.

5. The failure to include the impact of the global financial crisis on:
  - 5.1 Australia's capacity to bear the costs of participation in a global emissions trading scheme;
  - 5.2 the rate at which other countries will commence participation in a global emissions trading scheme.
6. The impact of the Government's emissions trading scheme on issues of national security including fuel resources and refining, construction resources and energy security;
7. The impact of the Government's emissions trading scheme on government revenue and spending, and the total revenue that the Government can expect to collect from the scheme through the year 2050;
8. The economic costs of the Government's expanded renewable energy target compared to the costs of alternative policy approaches;
9. Testing the veracity of the conclusions that under the Government's emissions trading scheme by 2050 electricity prices in Australia would rise five times as much as in the US, Canada, Japan and the EU and three times as much as in China over the same period;
10. The impact of the Government's emissions trading scheme and a rising carbon price in all years that the scheme is in place on:
  - 10.1 unemployment;
  - 10.2 cost of living pressures for households, pensioners and individuals more generally;
  - 10.3 inflationary pressures;
  - 10.4 nominal interest rates, and real interest rates;
  - 10.5 Aggregate productivity.
11. The economic impact of Australia introducing a poorly designed scheme in 2010, rather than a better designed scheme in 2011 or 2012, taking into account the decisions of major emitters;
12. The discounted present value of the economic costs and benefits of the Government's proposed emissions trading scheme;
13. The adaptation opportunities that could be foregone as a result of implementing a poorly designed emissions trading scheme, and the economic costs of not implementing those opportunities;
14. The economic impact of the government's emissions trading scheme on farming and agricultural industries, even if those industries are not covered in any scheme before 2015;
15. The desirability of fixed-price permits, versus a price cap on permits;

16. The impact of the government's proposed emissions trading scheme on the financial viability (as opposed to economic viability) of coal-fired electricity generators, both in the short run and long run;
17. The cost and accuracy of compliance measurement, both in Australia and internationally;
18. The economic and environmental implications of the White Paper (due December 2008).

**Duration**

That the review be completed by 30 January 2009.

**Content**

That the review consist of written analysis together with supporting data in tabular and diagrammatic form.

**Contract**

That the consultant comply with the terms of the attached contract.