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14 May 2013

Clean Energy Future Package working in Australia's interest

**Joint media release with
The Hon Greg Combet MP
Minister for Climate Change, Industry and Innovation**

The Gillard Government's Clean Energy Future package is working to help tackle climate change and enable Australia to play its part in reducing global greenhouse gas emissions.

The science is clear - the world is warming and high levels of carbon pollution risk significant environmental and economic damage. Australia faces significant costs from a warmer, more unstable climate.

The Government's policy encompasses four key areas: a carbon price; innovation and investment in renewable energy; encouraging energy efficiency; and creating opportunities in the land sector to cut emissions.

A price on carbon reduces greenhouse gas emissions at the lowest cost. It is the most environmentally effective and economically efficient way of cutting carbon pollution.

The Clean Energy Future package is also helping to secure Australia's economic competitiveness, as countries around the world move to cut carbon pollution and transform their economies.

The carbon price commenced with a three-year fixed price from 1 July 2012 and moves to an emissions trading scheme with a market price from 1 July 2015.

The fixed price has kick-started the transformation of our economy. It is driving investment in renewable energy sources and has reduced emissions in the National Electricity Market (NEM).

The fixed price period is important to provide stability and predictability as businesses make the transition to pricing carbon under an emissions trading scheme.

Since the carbon price commenced, Australia's economy and employment have continued to grow.

Price impacts have been modest and households have been assisted with payments and tax cuts averaging \$10.10 per week.

In the trade-exposed part of the economy, jobs and competitiveness have been protected as the most emissions-intensive, trade-exposed companies pay an effective carbon price of just \$1.30 a tonne, rather than the headline \$23 a tonne.

Moving to emissions trading - new price estimates

In 2015 Australia's carbon price will be linked to international carbon prices through the Emissions Trading Scheme.

Profound economic weakness in Europe has had a significant impact on European growth and its carbon market.

The 2013-14 Budget draws upon both market information and longer-term modelling for projections of the carbon price that will apply in Australia from 1 July 2015. Accordingly, the carbon price is now projected to fall from \$25.40 in 2014-15 to \$12.10 in 2015-16.

Taking into account revised emissions estimates, the revised permit price is estimated to reduce carbon price revenue (including both free and auctioned permits) by around \$6 billion over the four years to 2015-16 compared with the 2012-13 MYEFO.

A large part of the expenditure funded by carbon price revenue is in free carbon permits. As a result, the cost to the Budget of industry assistance arrangements, such as free permits which automatically adjust with the value of the carbon price, is expected to be \$3.9 billion lower over the four years to 2015-16 compared with the 2012-13 MYEFO.

Therefore, in fiscal balance terms the net cost to the Budget prior to factoring in policy changes since the 2012-13 MYEFO is around \$2.1 billion over the four years to 2015-16.

The Government has taken the revised revenue estimates into account in making the following adjustments to the priority and timing of clean energy and related expenditures:

- As there is no longer expected to be an additional impact from an increased carbon price from 1 July 2015, additional tax cuts will be deferred until the carbon price is estimated in the Budget to be above \$25.40, which is currently projected for 2018-19. This will save \$1.5 billion over the forward estimates. Together with increases in payments, the 2012-13 tax cuts — which the Government has delivered by more than tripling the tax-free threshold — will continue to meet the Government's assistance commitments to low- and middle-income households;
- \$274 million of coal industry assistance will be reduced in line with the revised price, over the forward estimates;
- \$662 million of uncommitted funds for low emissions coal and carbon capture and storage will be returned to the Budget;

- Funding for the Biodiversity Fund is to be adjusted - expenditure for the program will total over \$1 billion over the 8 years to 2018-19.
- Adoption of new land sector accounting rules will allow the Carbon Farming Initiative Non-Kyoto Fund to be returned to the Budget, saving \$235 million over the forward estimates;
- Australian Renewable Energy Agency (ARENA) funding will be extended by two years to 2021-22, with total funding for the program remaining above \$3 billion for the life of the program;
- \$135 million of uncommitted funds in the Regional Structural Adjustment Assistance Program will be returned to the Budget over the forward estimates as no region has been strongly, negatively affected by the introduction of the carbon price;
- \$160 million of funding for the Clean Technology Programs will be brought forward to 2014-15 to provide additional support and respond to strong demand from Australian manufacturers, and
- \$98 million of uncommitted funds from the Low Carbon Communities Program will be returned to the Budget.

As a result of the revised carbon price and these policy changes, the net impact over the four years to 2015-16 will be broadly budget neutral in fiscal balance terms when compared to the 2012-13 MYEFO. The net negative impact on the underlying cash balance is approximately \$1 billion over the four years to 2015-16.

The Government will continue to monitor the carbon price to ensure that households are adequately assisted. Should carbon price revenue be higher than anticipated when we move to an emissions trading scheme, the Government will also prioritise investments in land and biodiversity programs.

Carbon price is already delivering cuts to emissions

In the ten months since Australia's carbon price was introduced, emissions from electricity generation are decreasing, renewable energy investment is increasing and businesses are finding new ways to cut emissions and save on energy costs.

Emissions from the NEM are down 7.7 per cent in the first nine months of the carbon price - this is a reduction of around 10 million tonnes of pollution.

The carbon price works alongside the Renewable Energy Target (RET), ARENA and from 1 July this year, the Clean Energy Finance Corporation (CEFC), to ensure there is sufficient renewable energy capacity in Australia.

Already renewable energy generation is up almost 30 per cent in the financial year to date. The largest wind farm in the southern hemisphere opened in Victoria in April, and many more projects are underway.

In 2012, 32 new renewable energy power stations were accredited under the RET, bringing the total number to around 370 across the country.

Consumer demand for electricity is down in the NEM as businesses and households become more energy efficient and also more self-sufficient in energy. Supported by the RET, over 1 million households have installed solar panels since Labor came to office in 2007 and Australian households and businesses are benefiting from energy efficiency assistance, education and support.

Local governments and non-profit community groups are being supported to make energy efficient upgrades to council and community facilities including museums, leisure centres, town halls, street and park lighting.

The Clean Technology Investment Programs are helping hundreds of businesses in manufacturing and food processing to invest in state-of-the-art clean technologies and energy efficient equipment, cutting their carbon pollution and reducing their energy costs.

This Budget is committed to tackling climate change. We are investing for the future, putting jobs and economic growth first and protecting the important services that Australians rely on.

The Gillard Government is doing this to keep our economy one of the most resilient in the world - we have low unemployment, solid growth, contained inflation and low interest rates.

The Hon Wayne Swan MP
Deputy Prime Minister and Treasurer

3 December 2007 – 27 June 2013

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