

## **MEDIA RELEASE**

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### **Climate Package: Progress on many fronts, and the means to do better**

Grattan Institute welcomes today's release of the Federal Government's Climate Change Policy Package. Energy Program Director, Tony Wood said "The long awaited Climate Change Package moves in the right direction on many fronts. And it creates mechanisms to do better in future."

"The centrepiece of the Package is a price on carbon that provides certainty for businesses and the community to decide how to reduce emissions at low cost. The fixed price of \$23 until 2015 followed by a floor price of \$15 until 2017 will help businesses invest for the longer term, and minimise the effects of the uncertainty about Australia's long-term emissions target. A floor price through the first few years of the scheme will also help to reduce the problems that other schemes have encountered because governments tend to underestimate business innovation to reduce pollution, as Grattan Institute illustrated in its December 2010 report, *'Markets to Reduce Pollution'*."

"The carbon price is not a job killer. As Australia's economic history shows, jobs are constantly created and lost across various sectors. It is unlikely that the carbon price will increase net unemployment."

"For households, the sky is not going to fall in. Average incomes will continue to rise and energy costs will continue to fall as a proportion of average incomes. Electricity prices for consumers will continue to be driven primarily by transmission costs and the price of gas on international markets, rather than climate change policy."

The Package also takes a whole of government perspective beyond a pricing scheme with the Australian Renewable Energy Agency and the Clean Energy Finance Corporation. "There are good reasons for government to support low-emission, developing technologies beyond just pricing carbon emissions. The Package flags a better approach to providing this support. This is much better than providing capital grants to selected tenderers, which Grattan Institute showed to be generally ineffective in its report, *'Learning the Hard Way: Australia's policies to reduce emissions'*."

"We are disappointed that the Package continues to provide substantial free permits to electricity generators and many industries that do not need the assistance, as Grattan Institute showed in its report, *'Restructuring the Australian Economy to emit less carbon'*. However, the Package is a significant improvement in only guaranteeing this assistance for 5 years, and requiring the Productivity Commission to investigate in a principled way the continuing need for this assistance."

"We are also disappointed that the Package provides substantial assistance to some electricity generators. This doesn't hurt the environment, but it is bad for taxpayers. Taxpayers may pay companies and their financiers to make decisions they would almost certainly have made anyway. In reality there is little genuine threat to supply security."

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Grattan Institute will undertake further analysis of the details of this package in the coming days and as more details are released.

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