

CARBON TAX REPEAL – PRICE IMPACTS

TOP LINES:

- Average household costs will be around \$10.50 per week (or around \$550 over 2014-15) lower than they would otherwise be (based on existing expenditure patterns, averaged across all households, and compared to a \$25.40 carbon tax).

COALITION ACTION:

- The Government has delivered on its election commitment to repeal the carbon tax. The bills to repeal the carbon tax are now law with effect from 1 July 2014.

KEY FACTS AND FIGURES

- It is estimated that retail electricity prices should be around 9 per cent lower and retail gas prices around 7 per cent lower than they otherwise would be in 2014-15 with a \$25.40 carbon tax. On this basis:
 - Household average electricity bills would be around \$200 lower and household average gas bills around \$70 lower, than they would otherwise be in 2014-15 with a \$25.40 carbon tax.
- Treasury estimates that ending the carbon tax from 30 June 2014 will reduce the Consumer Price Index (CPI) by around 0.7 percentage points in 2014-15 (compared to a carbon tax of \$25.40).

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CPI UPDATE - SEPTEMBER QUARTER 2014

- While it is not possible to quantify the full impact of the removal of the carbon price on the CPI, the immediate effect appears to be a decrease in electricity prices, which fell 5.1 per cent in the quarter.
 - Electricity price growth in the September quarter was the weakest since ABS electronic records began.
 - Electricity prices would otherwise normally rise in the September quarter, as states usually adjust their prices at the start of the financial year.
- The ABS point out that electricity prices 'fell mainly due to the removal of the carbon price'.
 - Falls in electricity prices detracted 0.14 percentage points from overall inflation.
 - Electricity prices fell in Sydney (-7.3 per cent), Melbourne (-8.5 per cent), Perth (-4.5 per cent), Hobart (-7.8 per cent), Darwin (-5.8 per cent) and Canberra (-7.9 per cent), but rose in Brisbane (3.4 per cent) and Adelaide (0.3 per cent).

- Gas prices rose 1.2 per cent in the quarter, but this would have been higher had it not been for the removal of the carbon price.
 - Some states had already announced rises in gas prices prior to the removal of the carbon price.
 - Gas prices fell in Melbourne (-5.3 per cent), Perth (-0.9 per cent), Hobart (-0.9 per cent) and Darwin (-7.9 per cent).
 - Gas prices rose in Sydney (12.0 per cent), Adelaide (8.7 per cent), Brisbane (3.9 per cent), and Canberra (7.8 per cent).

KEY QUOTE:

- On 23 June 2014, during his second reading speech for the carbon tax repeal bills the Prime Minister said: “This is a bill to reduce the bills of the Australian people. That is what it is. It is a bill to reduce the bills of the people of Australia.”

BACKGROUND:

- Household savings estimates were generated by Treasury using the same methodology it used in 2011 to estimate household impacts from introducing a carbon tax (see *Strong Growth, Low Pollution: Modelling a carbon price* at: <http://carbonpricemodelling.treasury.gov.au/content/report.asp>).
- The carbon tax repeal bills were reintroduced for a third time on 14 July 2014 and passed the Senate and received Royal Assent on 17 July 2014.