

## 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 AND SEPTEMBER-DECEMBER QUARTERS 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 September quarter and remained flat over the rest of the year (noting that electricity prices are affected by a range of factors, some of which may at least partially offset the impact of removing the carbon price).
  - 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’ in the September quarter 2014.

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- Falls in electricity prices detracted 0.14-1.3 percentage points from overall inflation in the September quarter.
- In the September quarter, 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).
- Another observable impact is the slight reduction in urban transport fares over the December quarter (0.02-1.8 per cent), partly reflecting the decision in Brisbane and Perth to pass on the removal of the carbon tax in the form of lower public transport prices.
- Gas prices fell 1.3 per cent in the December quarter, more than offsetting the ~~rose~~ 1.2 per cent rise in the September quarter, but this would have been higher had it not been for the removal of the carbon price (noting that gas prices are affected by a range of factors, some of which may at least partially offset the impact of removing the carbon price).
- ~~Some states had already announced rises in gas prices prior to the removal of the carbon price.~~
- ~~In the December quarter~~ Gas prices fell in Melbourne (-8.9 per cent), Perth (-8.9 per cent), Hobart (-0.9 per cent) and Darwin Brisbane (-7.90.7 per cent), and remained flat in Sydney, Canberra, Perth and Adelaide. -
- Gas prices rose in Sydney Darwin (12.05.3 per cent), Adelaide (8.7 per cent), Brisbane (3.9 per cent), and ~~Canberra~~ Hobart (7.81.6 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.