

CARBON TAX REPEAL – PRICE IMPACTS

TOP LINES:

- The Government has delivered on its election commitment to repeal the carbon tax effective from 1 July 2014, which has put downward pressure on electricity prices for consumers.
- The Government remains committed to reducing emissions by five per cent of 2000 levels by 2020 and achieving this through domestic abatement, including via the Emissions Reduction Fund.
- Household costs will be around \$10.50 per week in 2014-15 (or around \$550 over the year) lower, on average, than they would otherwise be (based on existing expenditure patterns, averaged across all households, and compared to a \$25.40 carbon tax).
- The ACCC has been given extra powers to ensure that households and businesses benefit from lower prices.

COALITION ACTION:

- The removal of the carbon tax has reduced compliance, administrative and input costs for Australian businesses. The removal of the carbon tax has reduced the cost of living for Australian families.

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CPI UPDATE - SEPTEMBER AND DECEMBER QUARTERS 2014

- On 22 October 2014, the Australian Bureau of Statistics released the Consumer Price Index for September Quarter 2014 which showed the largest fall in electricity prices in the history of the CPI electricity price series.

- 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.
 - Falls in electricity prices detracted 0.13 percentage points from overall inflation 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 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 1.2 per cent rise in the September quarter (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).
 - 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).

BACKGROUND:

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Contact Officer:

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Date and time:

28 /01/2015