

## The impact of a carbon price on household expenditure as modelled by Treasury for the *Clean Energy Future* Package announced on 10 July 2011 by the Government

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This note sets out a more detailed breakdown of Treasury's modelling of the impact of a carbon price on household expenditure for the *Clean Energy Future* package announced on 10 July 2011.

Table 1 below shows the estimated average price impacts across all households following the introduction of a \$23 carbon price in 2012-13 by CPI subgroup. The modelling estimates average price changes across household expenditure categories. The modelling takes account of the different inputs involved in generating the goods and services that make up each CPI subgroup, such as energy use and transportation. While the modelling is intended to provide the best possible indication of how the price of different categories of goods will change on average, it is important to recognise that price impacts for specific items will depend on aspects particular to the product, such as degree of price pass through, the location, and the extent to which production processes and transportation required differ from the average across the CPI subgroup.

Table 1: Price impacts for a \$23 carbon price in 2012-13\*

CPI subgroup	Contains	Average price impact (\$ per week)	Price Impact (Per cent)
<b>Dairy and related products</b>	Milk		
	Cheese	<0.10	0.4
	Ice cream and other dairy products		
<b>Bread and cereal products</b>	Bread		
	Cakes and biscuits		
	Breakfast cereals	<0.10	0.4
	Other cereal products		
<b>Meat and seafoods</b>	Beef and veal		
	Lamb and mutton		
	Pork		
	Poultry	0.10	0.4
	Bacon and ham		
	Other fresh and processed meat		
	Fish and other seafood		
<b>Fruit and vegetables</b>	Fruit		
	Vegetables	0.10	0.4
<b>Non-alcoholic drinks and snack food</b>	Soft drinks waters and juices		
	Snacks and confectionery	0.10	0.4
<b>Meals out and takeaway foods</b>	Restaurant meals		
	Takeaway and fast foods	0.20	0.4
<b>Other food</b>	Eggs		
	Jams, honey and sandwich spreads		
	Tea, coffee and food drinks		
	Food additives and condiments	<0.10	0.4
	Fats and oils		
	Food — not elsewhere classified		
<b>Alcoholic drinks</b>	Beer		
	Wine	0.10	0.2
	Spirits		
<b>Tobacco</b>	Tobacco	<0.10	0.2
<b>Men's clothing</b>	Men's outerwear		
	Men's underwear, nightwear and socks	<0.10	0.2
<b>Women's clothing</b>	Women's outerwear		
	Women's underwear nightwear and hosiery	<0.10	0.2
<b>Children's and infants' clothing</b>	Children's and infants' clothing	<0.10	0.2
<b>Footwear</b>	Men's footwear		
	Women's footwear	<0.10	0.2
	Children's footwear		
<b>Accessories and clothing services</b>	Accessories		
	Clothing services and shoe repair	<0.10	0.4
<b>Rents</b>	Rents	0.40	0.6

<b>CPI subgroup</b>	<b>Contains</b>	<b>Average price impact (\$ per week)</b>	<b>Price Impact (Per cent)</b>
<b>Utilities</b>	Electricity		
	Gas and other household fuels	4.60	7.9
	Water and sewerage		
<b>Other housing</b>	House purchase		
	Property rates and charges	0.90	0.6
	House repairs and maintenance		
<b>Furniture and furnishings</b>	Furniture		
	Floor and window coverings	0.10	0.4
	Towels and linen		
<b>Household appliances utensils and tools</b>	Major household appliances		
	Small electric household appliances		
	Glassware, tableware and household utensils	0.20	0.8
	Tools		
<b>Household Supplies</b>	Household cleaning agents		
	Toiletries and personal care products	<0.10	0.3
	Other household supplies		
<b>Household Services</b>	Childcare		
	Hairdressing and personal care services	<0.10	0.3
	Other household services		
<b>Health services</b>	Hospital and medical services		
	Optical services	0.10	0.3
	Dental services		
<b>Pharmaceuticals</b>	Pharmaceuticals	<0.10	0.3
<b>Private motoring</b>	Motor vehicles		
	Automotive fuel		
	Motor vehicle repair and servicing	0.40	0.3
	Motor vehicle parts and accessories		
	Other motoring charges		
<b>Urban transport fares</b>	Urban transport fares	<0.10	0.5
<b>Communication</b>	Postal		
	Telecommunication	0.20	0.5
<b>Audio, visual and computing</b>	Audio, visual and computing equipment		
	Audio, visual and computing media and services	<0.10	0.4
<b>Books, newspapers and magazines</b>	Books		
	Newspapers and magazines	<0.10	0.3
<b>Sport and other recreation</b>	Sports and recreational equipment		
	Toys, games and hobbies		
	Sports participation		
	Pets, pet food and supplies	0.20	0.3
	Pet services including veterinary		
	Other recreational activities		

<b>CPI subgroup</b>	<b>Contains</b>	<b>Average price impact (\$ per week)</b>	<b>Price Impact (Per cent)</b>
<b>Holiday travel and accommodation</b>	Domestic holiday travel and accommodation		
	Overseas holiday travel and accommodation	0.30	0.5
<b>Education</b>	Preschool and primary education		
	Secondary education	<0.10	0.3
	Tertiary education		
<b>Insurance services</b>	Insurance services	<0.10	0.3
<b>Other</b>	**	0.90	**
<b>Total Expenditure</b>		9.90	0.7

\*Note: estimating the impact on household goods and services has been undertaken across broad product categories and the estimates represent the average price impact across each category. Within each category there will be a range of goods with different levels of direct and indirect emission intensity, for instance due to the source of the electricity used in the production of a particular company or for a particular type of good.

\*\* The 'other' category is comprised of a range of household expenditures expected to increase in price by around a quarter of a per cent, which represents an average increase in prices for services across the general economy. Analysis of these products is difficult due to data limitations — many of these products are not included in the CPI basket of goods and services, for example — such that specific price increases cannot be determined. Examples of these products include life insurance premiums, fees for some financial services, gambling and outright purchases of dwellings.

**Source:** Treasury