

# IPA MEDIA RELEASE

Institute of Public Affairs | Australia's leading free market think tank

Sunday, 10<sup>th</sup> July 2011

## **CARBON TAX TO PUSH ELECTRICITY PRICES UP BY \$150 NEXT YEAR**

'The Gillard government's carbon tax will push up the price of electricity for households by \$150 in its first year alone', said Director of Climate Change Policy, Tim Wilson, today from Parliament House.

'In her press conference announcing the carbon tax the Prime Minister acknowledged the carbon tax "has price impacts, it's meant to – that's the whole point". Now we know it will increase electricity prices by \$150 and continue going up every year', said Mr Wilson.

'Climate Change Minister, Greg Combet said that the carbon tax will rise by 2.5 per cent a year in real terms. This is effectively an increase of 5 per cent annually', he said.

'According to the Centre for International Economics' independent modelling, in order to achieve the government's emissions reduction of 5 per cent from 2000 levels by 2020, the \$23 carbon tax has to rapidly increase to \$49 by 2020. This will cause electricity prices to increase by nearly \$300 per household.'

To transition from coal to gas will require a carbon tax of \$44', he said.

**Table 1 | Minimum carbon tax rate required to go from brown coal, \$ per tonne CO<sub>2-e</sub>**

<b>Combined Cycle Gas (Transitional)</b>	<b>Wind</b>	<b>Solar Thermal</b>	<b>Solar Photovoltaic</b>
\$44	\$83	\$236	\$274

'This is a tax designed to keep going up. The price has to soar to cut emissions while the rest of the world is rejecting a carbon tax path'.

'Every time the government removes an industry from the carbon tax the cost has to increase on other industries. This cost will then be passed onto households'.

'Arguing companies will pay the carbon tax and not households is nonsense. The costs will be passed onto households. Companies that don't pass on their full costs will go under'.

'Households should treat compensation claims warily, because there's no guarantee the rates will increase at the same pace as the carbon tax's rate increase'.

'Based on the Prime Ministers' statement to cut \$160 million tonnes of carbon dioxide equivalent gases by 2020, each tonne will cost an astronomical \$200 to abate'.

'In addition, the impact of this carbon tax will disproportionately affect northern Australia which relies on energy intensive industries more than the rest of the Australian economy'.

**Media Comment:      Tim Wilson      Director of Climate Change Policy      0417 356 165**