



Brotherhood of St Laurence

Working for an Australia free of poverty



Brotherhood
of St Laurence

Protecting the people: Social sector concerns and emissions trading

Climate Change – Economic Impacts

- The Garnaut Climate Change Review Draft Report described climate change as a ‘diabolical’ problem
- Garnaut found:
 - A wipe off around 4.8 per cent of Australia’s projected GDP, around 5.4 per cent of projected household consumption, and 7.8 per cent from real wages by 2100.
 - This reduction in GDP, household consumption and real wages would hit low income and disadvantaged households hard
 - Many households are already under substantial stress (housing, fuel etc)

Climate Change – Economic Impacts

- Garnaut (cont.):
 - Australia the hardest hit of the developed countries
 - Major declines in agricultural production (Murray-Darling Basin)
 - Major declines in the tourism industry
 - Significant costs to health, infrastructure, insurance and to amenity
- The impacts on regional communities from decline in agriculture and tourism would be severe

Climate Change – Our Position

- We need ambitious emission reduction targets to avoid dangerous impacts of climate change
 - Low income and disadvantaged households will be hit hard by climate change impacts
 - They are more vulnerable and have less capacity to adapt to a changing climate; examples:
 - Substandard housing
 - Low rates of insurance
 - Reduced mobility (housing)
 - Employment (eg. Agriculture)
 - Impact of climate change reflect vulnerability, capacity to adapt and resilience

Impacts of policy responses to climate change

- Climate change mitigation strategies can have negative and disproportionate impacts on low income households
 - Design is important
 - Low income households may not be able to cope with energy, goods and services price rises
 - Potential employment loss from industry shifts

Brotherhood's work

- Aimed at reducing the vulnerability to price rises
- Enabling people to adapt to changing circumstances
- Making low income households part of the solution
- Seizing the opportunities from climate change such as new jobs and training

Emissions Trading Scheme

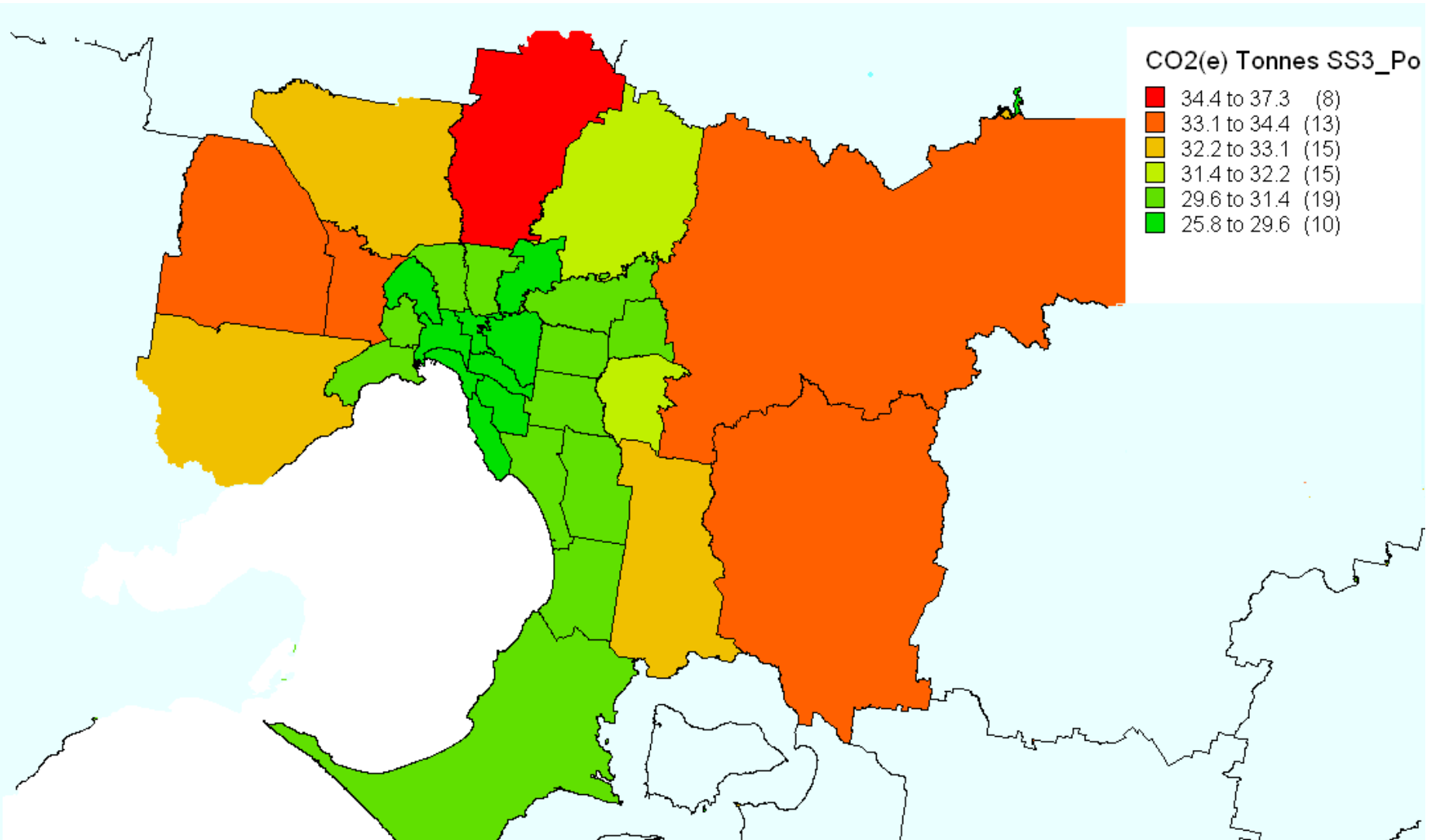
- A price on carbon - big polluters have to buy permits
- The costs will flow on through the whole system – down to consumers
- Key areas - direct
 - Electricity – particularly coal
 - Transport
- Indirect
 - Food and other goods and services

Regressive impact of carbon price (2001 figures for Australia)

Household type	Per annum cost	Annual carbon consumption	Carbon cost % of expenditure (utility adjusted and household equivalised)	
			\$A25	\$A50
Poor	\$670	22.3	2.5	4.6
High income	\$1,340	57.8	0.4	0.7

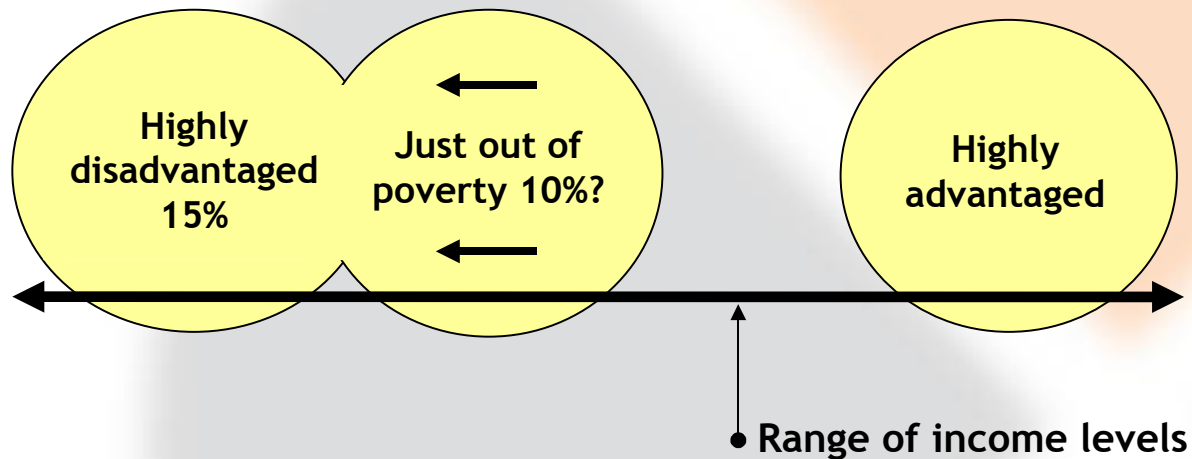
Impact of a \$25 & \$50/t CO₂(e) carbon price on household types

Location and CO2



New poor?

There is a risk that new groups of disadvantaged Australians
will be created



Solutions – Residential Energy

- Household Energy Efficiency
 - Many Australian houses are inefficient
 - New household efficiency measures eg:
 - Insulation
 - Switch from day rate electricity to gas or solar
 - Double glazing
 - All households need to be involved but we must target additional support to low income and vulnerable households

Solutions – why support

- Low income and vulnerable households
 - Use less energy and have less discretion in their energy usage
 - Many households can't easily adjust their energy usage to higher prices
 - There are however a small proportion of high usage low income households
 - Live in the residual end of the housing market
 - At times substandard accommodation

Solutions – addressing the barriers

- Low income households specific barriers
 - Less income
 - Require larger rebates for purchasing energy efficiency products
 - Information barrier for all households
 - We need information specifically targeting low income households
 - Split incentives between landlords and tenants
 - High proportion of renters
 - Need to target landlords

Solutions

- Energy efficiency - Our focus

Other key areas:

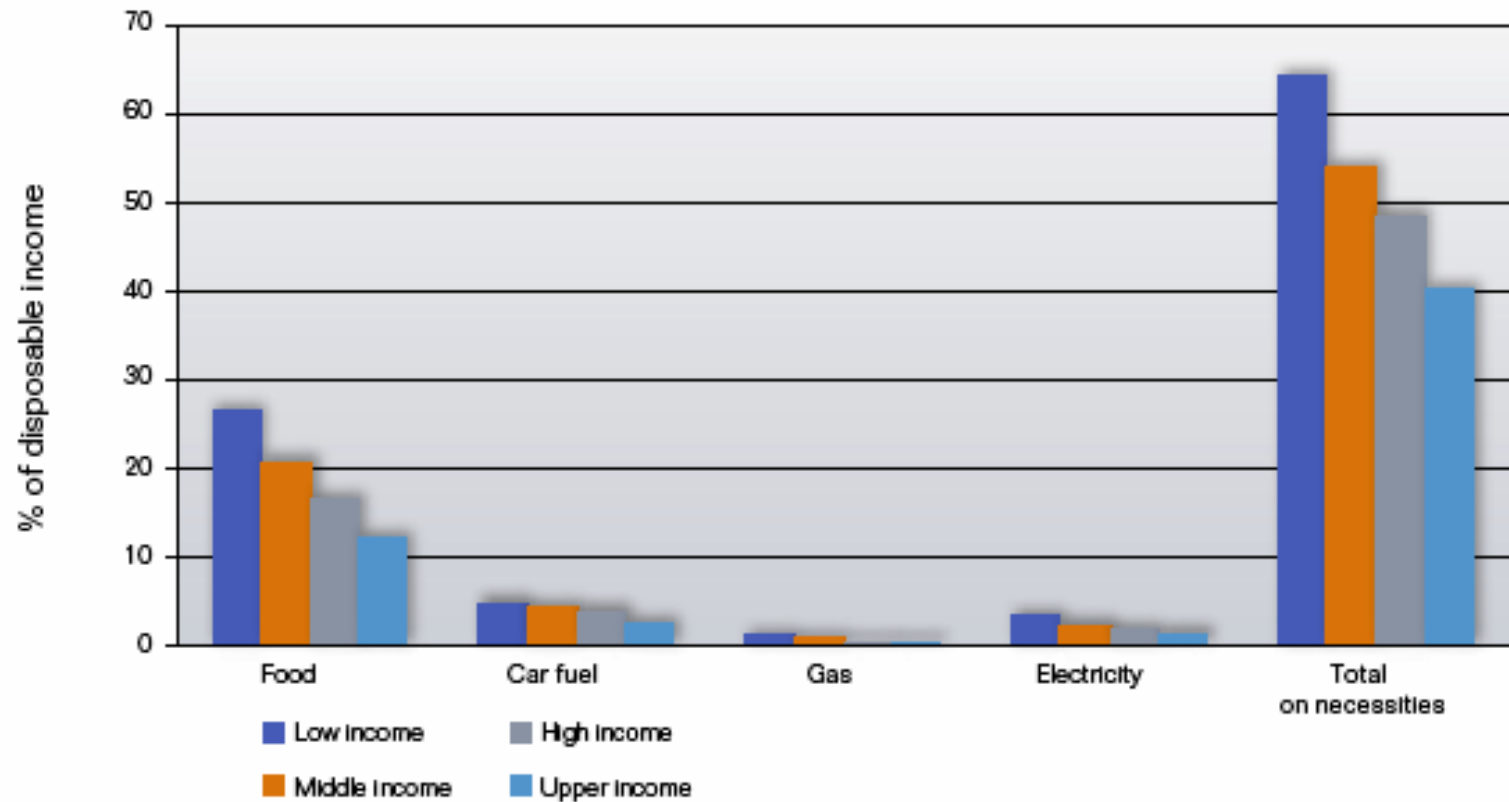
- Transport
 - Urban fringes, rural and regional
- Food

Garnaut Climate Change Review

- Acknowledged the disproportionate impact of the CPRS on low income households
- Garnaut found that:
 - Low-income households spend a greater proportion of their income on basic necessities - electricity, petrol and food
 - Emissions pricing is therefore regressive
 - Higher transport costs would disadvantage rural or outer-suburban dwellers
 - the urban fringes are associated with low incomes, and usually with limited access to adequate public transport





Garnaut Climate Change Review

Expenditure on basic goods as a share of disposable income



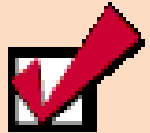
Source: Garnaut Climate Change Review Draft Report, p.475

Garnaut - recommendations

- 50% of revenue generated from the CPRS to be distributed to the lower 50% of households in the income distribution scale as compensation for the price increases 
 - Distributed through tax and transfer system and energy efficiency programs
- 100% auctioning of permits 
- Broad coverage of emissions 
- Slow start to the CPRS with low fixed price on carbon 

Green Paper – Carbon Pollution Reduction Scheme

- **Compensation/Assistance for low income households**



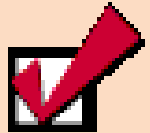
The Government proposed:

- Financial Compensation

- Increase payments to people in receipt of pensioner, carer, senior and allowance benefits
- Increase assistance to other low-income households through the tax and payment system
- Provide assistance to middle-income households
- Review annually in the Budget context the adequacy of payments to beneficiaries and recipients of family assistance with the overall impacts of the scheme

Green Paper - CPRS

- **Compensation/Assistance for low income households (cont.)**



The Government proposed:

- Energy Efficiency

- Introduce energy efficiency measures and consumer information

- Our response

- Happy with the energy efficiency proposal however we would have liked a greater focus on it
- Also no figure on the proportion of funds to be allocated to households was indicated in the scheme design proposal (how much will go to industry?)

Green Paper - CPRS

- 100% auctioning of carbon permits
- Broad coverage of sectors that pollute
- Strong (science informed) emissions reduction targets
- Support for the transitions to a clean, low carbon economy
- No compensation to coal-fired electricity generators
- Limited international offsets



Equity in Response to Climate Change program

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