




WHAT IS A CARBON TAX...

AND WHO WILL PAY IT?





➤ **On 24 February this year, Prime Minister Julia Gillard announced that her government would introduce a carbon tax.**

This was despite her promise prior to the election that “there will be no carbon tax under the government I lead.”

(Channel 10, 16 August 2010)



So what is a carbon tax and who will pay it?

Carbon is present in all forms of life and most fuels. When fuels are consumed to produce energy, the carbon is emitted as carbon dioxide.

A carbon tax is a tax that is levied on carbon dioxide emissions.

So any practice that creates emissions – whether it's turning on a light, driving a car or manufacturing food and other goods – will incur a carbon tax.

Under the government's plan, the carbon tax will be imposed directly on companies and indirectly on everybody else as those companies increase their prices to recover the tax. For families and small businesses, that will mean either spending more – or consuming less.

➤ What prices will rise?



Prices for most goods and services will go up.

A key target of the carbon tax will be electricity generators.

Because electricity is used in making and delivering virtually all goods and services, the cost of the carbon tax to the electricity companies will be passed on to consumers and small business.

When the carbon tax is applied to petrol, those prices will go up for the same reason. Oil companies charged the tax will recover it from their customers. Every product delivered to a shop will be more expensive.

At the family level, the biggest direct impact will be more expensive power, petrol and grocery bills. But many more consumer items will increase in price as well because of increased manufacturing and transport costs.





How much will it cost?

That depends on the level of the tax, and how widely it is applied. It will likely start at between \$20 and \$40 per tonne of carbon emissions and rise from there.

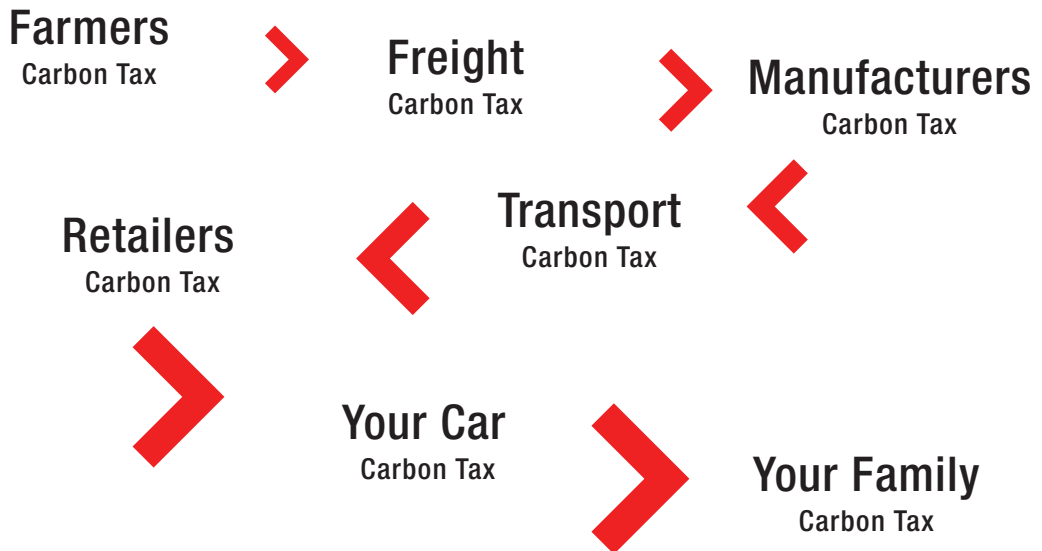
If it's applied to petrol, prices will increase by 2.5 cents per litre for every \$10 of carbon tax. So a carbon tax starting at \$25 per tonne will result in an initial increase in petrol prices by 6.25 cents/litre.

At that carbon price, power prices would rise by about \$300 a year for most families. Food prices are also expected to rise by about 5% on a \$25 per tonne tax.

These impacts will go up as the carbon tax is increased or when the government introduces an emissions trading scheme (ETS) as it plans to do in a few years. For instance, a \$40 per tonne carbon tax would increase petrol prices by about 10 cents per litre. The price impacts to you will also be affected by what compensation, if any, the government provides, and how long it lasts before it's wound down or removed.

Regardless, the Gillard Government's chief climate change adviser Professor Ross Garnaut has admitted that "Australian households will ultimately bear the full cost of a carbon price."

The Carbon Tax: A Cascading Tax



The carbon tax will have a cascading effect on the economy because it will hit every stage of the supply chain, ever-increasing the costs to you along the way.





Why is the government introducing a carbon tax?

The Gillard Government says Australia must introduce a carbon tax to help prevent climate change. But while the carbon tax will raise billions of dollars for the government – rising each year – it cannot explain how the carbon tax will stop climate change.

Can Australia really make a difference?

In terms of climate change, virtually none. Australia emits just 1.5% of all the man-made greenhouse gases globally.

If we stopped emitting any greenhouse gases tomorrow, and never emitted any more, the inevitable growth in emissions by much bigger economies like China, India and the USA would quickly make it all up, and global emissions would continue to grow very strongly. For example, China recently overtook the USA as the largest source of man-made greenhouse gases in the world. Its emissions are expected to grow from about 5.4 billion tonnes in 2005 to about 10.1 billion tonnes in 2020.

The big emerging economies, like China, India, Brazil and Russia, which are the big emitters of greenhouse gases into the future, have no plans to move to a tax or trade carbon.





Will the carbon tax have an impact on jobs?

It must. As costs go up for employers they will be less inclined to employ more people or maintain current job levels.

Australian businesses that produce goods for the Australian market and compete against imports from countries that don't have a carbon tax will be seriously disadvantaged. Also at risk will be jobs in export businesses. Exporters will find it harder to match the prices offered by their foreign competitors, because they will have to factor in the cost of the carbon tax to their prices.

Companies in the resources sector, one of the very important drivers of our economy, are also big users of energy and are often big emitters of greenhouse gases. They will be especially affected, along with our manufacturing industry.

Other sectors will also be affected. For example, supermarket operators say the increased cost of power alone will affect not only prices, but jobs too.

Farmers will be hit with higher costs for electricity, fuel and freight and products such as fertilisers. Farm incomes will be reduced by the double whammy of this increase in farm production costs and lower farm gate prices when food processors pass back the impact of the carbon tax on their operation.

If farmers are made to pay for their farm's emissions in the future, the impact will be even greater.

What about regional Australia?

Access Economics has found that a price on carbon will cost more than 48,000 jobs. Most of this impact will be felt in regions that specialise in electricity generation, mining or manufacturing. Despite the fact that most Australians live in capital cities, the majority of these jobs will be lost outside capital cities in regional Australia.

> The Greens and the Independents

The Greens' policy is for a "minimum" 40% reduction in greenhouse gas emissions between 2000 and 2020. A 40% cut would be the equivalent of shutting down Australia's entire coal and gas fired electricity generating system, our entire transport sector (road, rail, air, shipping) and all agriculture – forever.

The Member for New England Tony Windsor and the Member for Lyne Rob Oakeshott are both members of the so-called Multi-party Climate Change Committee which the Gillard Government is using to develop its policy.

Mr Windsor proposed a law in Federal Parliament for a 30% reduction in emissions by 2020. That is the equivalent of shutting down every coal and gas fired power station in the country and the entire transport sector – including road, rail, air, and coastal shipping – forever.

Mr Oakeshott has repeatedly called for a price on carbon and urged the government to "let the market rip."





>>> What's the alternative?

The Liberal and Nationals Coalition are strongly opposed to the carbon tax and are fighting to stop its introduction. The carbon tax will not lower global temperatures one degree – but it will cost Australian jobs and every household budget.

There are direct actions we can take that will improve our environment and reduce carbon emissions as well. Our Direct Action plan will deliver this without the need for the great big new tax that Labor, the Greens and Independents want to introduce.

For example, improving the carbon content of soil helps improve soil quality, farm productivity and water use efficiency. Known as “bio-sequestration”, this is also the single largest and lowest cost opportunity for reducing carbon emissions in Australia.

Direct action to replenish soil carbons is a major part of our plan, which also includes incentives for business, industry and inefficient power stations to reduce their emissions – while protecting jobs. Renewable energy, energy efficiency, forestry and recycling are other important measures.

With our Direct Action plan, a Liberal and Nationals Coalition Government will improve the environment and achieve our goal of reducing Australia's carbon emissions by 5 percent by 2020.

To find out more visit www.nationals.org.au



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Here to help



My role is to represent the people of Riverina in the Federal Parliament so if there is an issue that needs my attention, please feel free to contact my office.

To find out more about the carbon tax, or to stay in touch with what's happening in Parliament, please visit my website www.michaelmccormack.com.au

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THE NATIONALS *for Regional Australia*

