



Speech by

**Andrew Cripps**

**MEMBER FOR HINCHINBROOK**

Hansard Wednesday, 7 September 2011

---

## **ELECTRICITY PRICE REFORM AMENDMENT BILL**

 **Mr CRIPPS** (Hinchinbrook—LNP) (4.52 pm): I rise to make a contribution to the debate on the Electricity Price Reform Amendment Bill. In particular, I want to discuss the issue canvassed in the explanatory notes accompanying the bill under the heading 'Electricity pricing', which has been previously identified during the debate. It has been acknowledged that the bill relates to the potential impact that the Gillard Labor government's proposed carbon tax may have on electricity prices in Queensland.

The explanatory notes accompanying the bill state that the proposed amendments will provide sufficient flexibility to deal with any unidentified policy changes or market upheavals. In particular, the explanatory notes state that this approach will ensure the regulatory framework is flexible enough to allow any future carbon costs or additional costs associated with environmental obligations to be captured and passed through to end use consumers. The amendments that supposedly ensure that the regulatory framework will be flexible enough to allow any future carbon costs or additional costs associated with environmental obligations can be captured and passed through to end use consumers obviously refer to the proposal by the Gillard government to put a tax on carbon emissions.

Specifically, clause 7 of the bill states that the new section will provide that a pricing entity, in making a price determination, must have regard to all of the following—

- The actual costs of making, producing or supplying the goods or services;
- The effect of the price determination on competition in the Queensland retail electricity market; and
- If the QCA is the pricing entity, any matter the pricing entity is required by delegation to consider.

The proposed amendment would also provide for the pricing entity to have regard for any other matter the pricing entity considers relevant.

This bill will allow the QCA to incorporate into its pricing mechanism for retail electricity the costs of the Gillard government's carbon tax on the generation and supply of electricity to electricity consumers in Queensland, because Queensland's electricity generators will be among those entities described by the Gillard government as Australia's top 500 big polluters. This bill exposes the untruth being peddled by the Gillard government that the top 500 big polluters will pay the carbon tax. This bill facilitates the direct transfer of the costs of the Gillard government's carbon tax to Queensland's electricity consumers. This bill makes the Bligh government a partner in that direct transfer of the carbon tax from electricity generators to electricity consumers.

The Minister for Energy and Water Utilities in his second reading speech stated that consumers will benefit from the amendments in this bill because the pricing system will encourage customers to use energy more efficiently. That is of course code for the amendments in this bill allowing the QCA to add the carbon tax to the retail price of electricity, meaning electricity consumers will be motivated to use electricity because it will cost more. The question is: will electricity consumers in Queensland really be motivated to use less power upon the introduction of a carbon tax by the Gillard government?

Several weeks ago, Australians right across the country received in the mail this publication from the Gillard government called *What a carbon price means for you: the pathway to a clean energy future*. This publication goes to great lengths to explain that, although the costs of the carbon tax paid by polluters will be passed through to consumers, we ought not worry about this because half the money raised by the

carbon tax will be used to fund tax cuts, pension increases and higher family payments. The document goes on to explain that what the Gillard government prefers to call a carbon price is not in fact a tax on households but will be paid by Australia's top 500 big polluters. The top 500 big polluters will be required to purchase permits for every tonne of carbon they produce, with the cost of the permit being the carbon price and the initial price being \$23 a tonne.

The document goes on to explain that pensioners and low- and middle-income households will get assistance to help manage increases in the cost of living as a result of the carbon tax. Specifically, the document states that by 2012-13, with Australia expected to have almost nine million households, over four million households will supposedly be better off compared to the average price impact of the carbon tax. This means they will apparently receive assistance that is at least 20 per cent greater than the expected impact of the carbon tax on the cost of living for a household of their type and income.

Almost six million households will supposedly be assisted to meet the average price impact of the carbon tax. This means they will apparently receive assistance that covers at least the average impact of the carbon tax on the cost of living for a household of their type and income. Also, around eight million households will supposedly get some assistance through tax cuts, payment increases or both.

The document goes on to suggest that this assistance will mean pensioners and self-funded retirees will get up to \$338 extra per year if they are single and up to \$510 per year for couples. Families receiving family tax benefit A will get up to \$110 per child per year. Eligible families will get up to \$69 in family tax benefit B per year. Allowance recipients will get up to \$218 per year for singles, \$234 per year for single parents and \$390 per year for couples combined. Also, 7.5 million taxpayers with an annual income of under \$80,000 will get a tax cut, with most receiving at least \$300 per year.

The document claims that, on average, households will see cost increases of \$9.90 per week but will receive assistance of \$10.10 per week. Pensioners, self-funded retirees, families, people with disabilities, carers and students will no doubt take great comfort from the fact that their standard of living will be fully and completely protected by the Gillard government from cost increases as a result of the carbon tax by a buffer of 20c. Far be it for me to question the Gillard government's integrity.

For the purposes of today's debate, let us take a leap of faith and accept the proposition put forward in this document—*What a carbon price means for you: the pathway to a clean energy future*—and let us accept the reassurance of the Gillard government that pensioners, self-funded retirees, families, people with disabilities, carers and students who will be protected by that massive buffer of 20c will not be disadvantaged by the carbon tax. Let us then reflect once more on the statement by the Minister for Energy and Water Utilities in his second reading speech that consumers will benefit from the amendments in this bill because the pricing system will encourage customers to use electricity more efficiently. We know that this means electricity customers will be motivated to use less electricity because it will cost more. However, if low- and fixed-income consumers who the Gillard government have decided need support will receive enough compensation to ensure they are not disadvantaged by the carbon tax, what will be their motivation to change their behaviour and use less electricity? Furthermore, the Gillard government has decided that those remaining consumers who are on higher incomes can afford to pay the carbon tax and do not need compensation. If they can afford to pay the carbon tax, what will be their motivation to change their behaviour and use less electricity?

Generators that will be required to purchase the permits and pay the \$23 per tonne of carbon emitted will not be motivated to change their behaviour because their customers who consume their product will be fully compensated for the increased cost of that power or, if they do not need compensation because they can afford it, will not similarly be motivated to change their demand for that product. So if no-one is motivated to change their behaviour as a result of a carbon price being added to the retail price of electricity—because they have been compensated so that they are no worse off or because they have enough disposable income and can afford it or because demand for electricity produced by the generators is not declining due to the compensation paid or due to the fact that people on higher incomes can afford it—does that not mean that the assertion by the Minister for Energy and Water Utilities that the electricity pricing system that includes the carbon tax will motivate customers to use less electricity cannot be true?

This is the inherent contradiction in Labor's argument. Labor claims that the carbon tax is a market based solution that will send a signal to consumers in that market to reduce consumption of certain goods to which the carbon tax is applied. However, Labor at the same time proposes to interfere with that market signal by compensating those consumers on low and fixed incomes who would be forced to change their behaviour if the price went up. By definition, the remaining consumers on high incomes can afford to absorb those cost increases, so their behaviour will also not change. Either the Gillard government's carbon tax policy is flawed and the compensation will not actually cover the increased costs of the carbon tax and therefore people will have to change their behaviour, or the assertion by the Minister for Energy and Water Utilities that this new pricing mechanism will drive behavioural change is wrong. Both propositions cannot be right.

Price increases in electricity to Queensland customers that incorporate the carbon tax will not necessarily reduce electricity consumption because the Gillard government has assured us that those

people who need it will be compensated with the 20c to spare and will continue to consume at the same rate because they are no worse off. Those who do not need the compensation have no reason to reduce electricity consumption because the Gillard government tells us that they can afford it, so their behaviour will also remain unchanged.

The objectives of the proposed amendments before the House to allow the QCA to incorporate into its pricing mechanism for retail electricity the costs of the Gillard government's carbon tax on the generation and supply of electricity to electricity consumers in Queensland will certainly be achieved through the passage of this bill. Whether or not the amendments will drive the behavioural change claimed by the Minister for Energy and Water Utilities in his second reading speech remains to be seen.