

Climate Change and Inclusion: Turning up the heat on low-income households

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Climate Change

- 2 main types of impacts – from:
 - the meteorological climate; and
 - the economic climate.
- Hotter, drier climate, with more extreme weather events, more often
- a cost of carbon will appear in the economy
- some industries will be strongly affected by a carbon price
- some industries are strongly affected by the climate
- regional economies may be the most vulnerable
- internationally: environmental refugees



Current Activity

- Garnaut Review
- Commonwealth's Carbon Pollution Reduction Scheme
- Economic Modelling – Federal Treasury
- COAG Climate Change and Water Working Group
 - Renewable Energy
 - Complementary Measures
 - Energy Efficiency
 - Adaptation
 - Water
- “Streamlining Agenda” - Policy consistency across jurisdictions
- Strategic Review of Climate Change Policies (Wilkins Review)
- Australia's Future Tax system Review (Henry Review)



Cap and Trade ETS - Capping

- The cap is set for the whole economy, not on a firm level.
- Cap set according to
 - the domestic abatement target
 - scientific evidence
 - international commitments
 - economic transition
- Number of permits will be 'capped', liable parties will be able to 'trade' to acquire and acquit enough permits.
- CAP has not been announced – carbon prices are speculative until it is!



Economic Impacts

- Carbon price will be injected into economy
- Most obvious impact will be in energy costs – especially electricity but also gas and petrol
- Garnaut & CoA: LI Households spend much higher % on emissions intensive products
- Regional impacts in relation to strongly affected industries (eg Vic coal communities)
- Will compound issues such as world oil price, LNG exports, drought impact on food prices etc
- Commonwealth committed to using permit revenue to provide assistance.



Impacts (cont ...)

- State Government supportive of Commonwealth's proposed use of revenue
- Energy efficiency provides long-term, low cost support
- Renters and Public Housing provide unique issues/opportunities
- Henry Review of Tax System very relevant

- Rough Guide: Average SA household directly exposed to over 10 tonnes per annum of CO₂-e – each \$10/tonne = \$100pa
- Long-term price likely to be >\$50



Garnaut Review DRAFT Report

Figure 19.2 Expenditure on basic goods as a share of disposable income



Implications:

- How does support reach the most vulnerable & the most impacted ?
- Does Climate Change and Emissions Trading create 'new' groups of vulnerable?
- Energy efficiency provides long-term, low cost support
- However, must meet basic needs first !
- Henry Review of Tax System very relevant
- Better housing and better public transport are 'NO REGRETS'
- Regional communities that have proven resilience to economic change can teach us lessons



 www.climatechange.sa.gov.au

