

04 August 2008

## Media release

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# States set to lose \$1.4 billion from emissions trading

The state and territory governments are set to lose up to \$1.4 billion per year to the Federal Government as a result of the introduction of the Carbon Emission Reduction Scheme.

A paper entitled 'The Impact of an Emissions Trading Scheme on State Government Budgets', by David Richardson and Richard Denniss was released today by Canberra-based think tank The Australia Institute. It shows how the cost of energy, transport and wages paid by state and territory governments will increase as a result of the Commonwealth Government's plan to tackle climate change.

"Everybody knows that the cost of electricity, fuel and food will rise for consumers, but what this paper shows is the impact of those same increases on the states and territories when they are trying to provide schools, roads and hospitals," said Dr Richard Denniss, Executive Director of The Australia Institute.

"The problem is not that some costs will rise, but that at the moment there is no discussion of the need to compensate the state and territory governments. Nearly one and a half billion dollars per year could employ more than 15,000 teachers or nurses. The Commonwealth has said that it will compensate households and polluters, but it looks to us as though the state governments have got a much stronger case for compensation than the big emitters," he said.

The paper estimates that the likely \$1.4 billion cost to the states will be distributed as follows.

|                                     | NSW | Vic | Qld | SA | WA  | Tas | NT | ACT | Total |
|-------------------------------------|-----|-----|-----|----|-----|-----|----|-----|-------|
| Cost to state budgets<br>\$ million | 466 | 358 | 289 | 99 | 159 | 22  | 16 | 26  | 1,435 |

"Australia needs an emissions trading scheme, but what we also need is for the Government to provide compensation to those who require it the most. Unless the Commonwealth puts compensating the states ahead of compensating the polluters then those who rely most heavily on government services will miss out the most," Dr Denniss concluded.