



# SCHEME IMPACT ON THE COST OF LIVING

DECEMBER 2008

## FACT SHEET

The Carbon Pollution Reduction Scheme will have a modest impact on prices as we start to recognise the costs of carbon pollution in our everyday lives. The Government will provide substantial assistance to help households and businesses adjust.

### Impact of the Scheme on the cost of living

The Scheme will put a price on the carbon pollution that causes climate change. This will increase the prices of emission-intensive goods, but the impact on Australian households will be modest and the Government will help households and businesses adjust.

Putting a price on carbon pollution will raise the cost of some goods and services and lead to a modest increase in prices. An assumed carbon permit price of \$25 per ton would be expected to result in an increase in the cost of living by about 1.1 per cent in 2010-11.

Energy is emission-intensive. At a carbon permit price of \$25, households will face increased energy costs of, on average, \$4 per week for electricity and \$2 per week for gas and other household fuels.

For an average household, these estimates are the upper bound of the estimated increase in energy costs. They assume that permit costs are immediately and fully passed through to consumers, that firms do not change their production processes, and that households do not change their consumption behaviour in response to the Scheme (for example, by conserving energy).

For a permit price of \$25, the Government expects to raise around \$11.5 billion from selling carbon permits in 2010-11. Every cent raised by the Australian Government will be used to help households and businesses adjust to the Scheme.

- Assistance to low-income households will fully meet the expected overall increase in their cost of living.
- Assistance to middle-income households will help meet the expected overall increase in their cost of living.
- All households will benefit from fuel tax reductions and support to take practical action to reduce energy bills.

For further details, see *The Carbon Pollution Reduction Scheme and You: Creating a low-pollution economy for the future*.

