



Australian  
Competition &  
Consumer  
Commission

# Report to the Minister pursuant to s 60J of the Competition and Consumer Act 2010

Information about the ACCC's operations during  
the June 2015 quarter relating to the carbon tax  
price reduction obligation

July 2015

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## Executive Summary

This is the ACCC's final report to the Minister pursuant to s 60J of the *Competition and Consumer Act 2010* (CCA). Over the course of its monitoring role, the ACCC has calculated direct cost savings ranging from \$153 to \$269 for electricity and natural gas following the carbon tax repeal. Identifiable cost savings have also occurred in the synthetic greenhouse gas (SGG) sector, as well as in sectors including landfill, council rates and charges, food manufacturing, water charges and transport.

During the June 2015 quarter, the ACCC focused on finalising its monitoring activities in anticipation of the end of its formal monitoring role on 30 June 2015. The ACCC has received confirmation from one small electricity retailer and several SGG entities about the pass through of carbon tax repeal cost savings, and monitored price movements to determine the impact of the repeal on those entities' prices. The ACCC has also engaged with many landfill operators to confirm their decisions regarding the use of excess carbon tax revenue. As a result, the ACCC:

- is now satisfied that all electricity and natural gas retailers have passed on to customers the cost savings from the carbon tax repeal.
- has found that at the bulk import, wholesale and equipment supply levels prices of the common SGGs have reduced to approximately the same levels as, or lower than, those before the introduction of the carbon tax. Average prices post-carbon tax repeal, depending on the SGG type, range from approximately \$8/kg to \$34/kg at the bulk import level, compared to average prices of \$38/kg to \$109/kg during the carbon tax period. At the wholesale level, average prices post-carbon tax repeal range from \$14/kg to \$33/kg, depending on SGG type, compared to average prices of \$47/kg to \$182/kg during the carbon tax period. While these price reductions may not be due solely to the carbon tax repeal, the ACCC is satisfied that any identifiable cost savings resulting from the repeal have been passed on.
- has found that all liable entities in the landfill sector that passed through carbon tax costs have responded to the repeal by removing these components from their prices, thereby passing through cost savings. Of the liable entities that hold excess carbon tax revenue, some have already decided that they will utilise the revenue in ways such as providing refunds, funding emissions abatement projects or lowering future prices. However, many entities are waiting for the Government to announce a voluntary framework on the use of excess carbon tax revenue.

Over the monitoring period from 1 March 2014 to 30 June 2015, the ACCC has focused on entities in the regulated sectors (electricity, natural gas and SGG) passing through their cost savings to customers and that representations made about prices following the carbon tax repeal did not mislead consumers. The low level of complaints received by the ACCC confirms that there were no widespread concerns about compliance with the obligations imposed on businesses by the price reduction obligation legislation.

The legislation focused on regulated goods, being the sectors most heavily affected by the carbon tax. In addition to cost savings in the regulated sectors, the ACCC has also seen cost savings across a number of sectors such as landfill, council rates and charges, food manufacturing, water charges and transport. The ACCC expects that these savings will flow down the supply chain throughout the economy over time and be passed through to customers as part of the normal market process. As such, the ACCC believes that, given all the available information, the Commonwealth Treasury's estimated \$550 cost saving to households is reasonable.

The ACCC has been pleased with the high levels of compliance with the price reduction obligation and consequently, has not needed to undertake any enforcement activities relating to the price reduction legislation since the start of its monitoring role on 1 March 2014. In particular, the ACCC is satisfied that all of the relevant entities subject to price exploitation provisions (electricity and natural gas suppliers, and bulk SGG importers) have passed through all cost savings attributable to the carbon tax repeal.

The price reduction legislation's focus on the regulated sectors and transparency requirements to substantiate cost savings and provide statements to customers led to the level of compliance observed within these sectors. This, combined with entities' cooperative approach, proactive industry engagement and assistance from a variety of agencies, contributed to a successful transition of the carbon tax repeal.

## Household cost savings

The ACCC is satisfied that cost savings attributable to the carbon tax repeal have been passed through in the energy and SGG sectors. In its monitoring role, a key focus for the ACCC has been to ensure that energy suppliers passed on cost savings from the carbon tax repeal, as energy prices had by far the greatest contribution to the carbon tax impact on prices in the economy generally.

The ACCC notes the predicted cost savings per household following the carbon tax repeal were estimated to be \$550 according to the Commonwealth Treasury modelling.<sup>1</sup> The Commonwealth Treasury modelling estimated average costs of the carbon tax across a broad range of household expenditures, most of which are neither regulated goods nor supplied by liable entities. Further, as noted in the July 2014 Carbon Report, some entities in industries such as construction materials, metals and meat advised the ACCC that they absorbed their carbon tax costs. For these reasons, it is difficult to determine the exact costs of the carbon tax, and hence the exact cost savings resulting from its repeal. However, the ACCC has identified direct cost savings in the energy sector and expects that these savings will flow down the supply chain throughout the economy over time and be passed through to customers as part of the normal market process. The ACCC has also identified a number of specific examples of price reductions in other sectors, as detailed below.

### Electricity and natural gas

The ACCC has calculated direct cost savings, ranging from \$153 to \$269,<sup>2</sup> that have been passed through to customers by electricity and natural gas retailers following the carbon tax repeal, as set out in the following table.

**Table 1: Estimated average annual carbon tax repeal cost savings for electricity and natural gas**

State	NSW	VIC	SA	QLD	ACT	TAS	WA	NT
<b>Average electricity cost savings (\$)</b>	129	112	140	150	185	198	135	103
<b>Average gas cost savings<sup>3</sup> (\$)</b>	39	98	50	27	84	66	18	N/A
<b>Electricity and gas cost savings (\$)</b>	168	210	190	177	269	264	153	N/A

<sup>1</sup> This figure refers to cost savings that an average household would have without a carbon tax where the carbon price was at \$25.4 per tonne for 2014-15. More information about the Commonwealth Treasury modelling is available on [www.treasury.gov.au/PublicationsAndMedia/Publications/2011/Modelling-the-impact-of-a-carbon-price](http://www.treasury.gov.au/PublicationsAndMedia/Publications/2011/Modelling-the-impact-of-a-carbon-price).

<sup>2</sup> These savings are estimated average annual carbon tax repeal cost savings for electricity and natural gas based on retailers' standing offers and consumption levels typical for the metropolitan area in each state and territory. More information about these figures can be found in the *Key findings of the ACCC's monitoring activities* section of this report.

<sup>3</sup> Average gas cost savings differ from the figures in the ACCC's April 2015 Carbon Report, which had omitted GST. GST is included in the present figures.

## Synthetic greenhouse gas

The ACCC has found that, where applicable, at the bulk import, wholesale and equipment supply levels, prices of the most common SGGs<sup>4</sup> that attracted the equivalent carbon price levy have reduced to approximately the same levels as, or lower than, those before the introduction of the carbon tax. Average prices post-carbon tax repeal, depending on the SGG type, range from approximately \$8/kg to \$34/kg at the bulk import level, compared to average prices of \$38/kg to \$109/kg during the carbon tax period. At the wholesale level, average prices post-carbon tax repeal range from \$14/kg to \$33/kg, depending on SGG type, compared to average prices of \$47/kg to \$182/kg during the carbon tax period. While this may not be due solely to the carbon tax repeal, the ACCC is satisfied that any identifiable cost savings resulting from the repeal have been passed on. The common SGGs are used in household appliances such as refrigeration systems, and vehicle and domestic air-conditioning systems. As such, the ACCC expects that where the carbon tax was passed through, market forces will see the lower prices flow through to all other levels of the supply chain over time, including to households.

## Other examples of household savings

The ACCC considers that it is not possible to quantify those cost savings arising from indirect carbon tax costs. However, the ACCC expects competition to play an important role in ensuring that carbon tax repeal cost savings are passed through to customers. These may be less noticeable and often as lesser amounts than the cost savings experienced in the energy sectors. These cost savings may also be in the form of price increases that were not as high as they otherwise would have been. In particular, the ACCC has identified the following examples of carbon tax cost savings. The ACCC notes that they are not exhaustive examples of cost savings but are indicative of wider household savings. In addition to these savings, the ACCC expects that households will continue to see ongoing cost savings as a result of the carbon tax repeal as they are passed through over time.

## Rates and waste management charges

The ACCC is aware that at least 30<sup>5</sup> local councils have made public statements about the removal of carbon tax costs from their general rates and waste management charges, with ratepayers seeing cost savings ranging from \$7.00 to \$45.00 in the rates and charges levied for the 2014-15 financial year.<sup>6</sup> Many other local councils may have removed carbon tax costs from their general rates and waste management charges without these actions being publicised—such local councils are not included in these figures, nor in Annexure 1 on page 22 of this Report.

## Non-transport liquid petroleum gas

The repeal of the carbon tax meant that prices for liquid petroleum gas (LPG) did not rise by as much as they otherwise would have as retail prices increased to account for the high international prices in 2013-14. LPG for non-transport use was subject to an embodied emissions charge of 3.8 cents per litre in 2013-14. This charge had typically been passed on as a separate line item which was removed when the carbon tax was repealed. Typical household supply of LPG is delivered in 45kg cylinders. These cylinders hold approximately

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<sup>4</sup> These are R-134a, R-410A and R-404A. See the *Synthetic greenhouse gas* section of this report for more information.

<sup>5</sup> This figure covers public statements of refunds and changes to general rates and waste management charges of local councils that were not liable entities, as well as local councils that were liable entities.

<sup>6</sup> These figures are derived only from those that were published in the media reports or council announcements listed in Annexure 1 of this Report. Note that in a few instances, ratepayers will only receive the announced credits or refunds for the reductions in their 2014-15 rates and charges in their 2015-16 rates notices.

88 litres and the removal of the carbon tax resulted in a price reduction of \$3.35 per cylinder. However, as LPG retail prices track movements in the international benchmark price, the unusually high international prices during the 12 months leading up to the carbon tax repeal resulted in increases in LPG prices. These price increases were not as high as they otherwise would have been without the repeal.

## Transport

In July 2014, TT-Line Company announced that the cost of travel on the Spirit of Tasmania would decrease \$3 per passenger and \$6 per passenger vehicle.<sup>7</sup>

The Queensland Government announced that the carbon tax repeal had resulted in savings of approximately \$30 million in the budget. Residents saw a reduction in public transport fees from 3 November 2014 and rates frozen in 2015.<sup>8</sup>

Perth commuters received a fare-free day on 3 November 2014 for trains, buses and ferries. The fare-free day was organised as compensation for the 1.5 per cent fare increases charged between 1 July and 31 October 2014 for the carbon tax.<sup>9</sup>

## Water

In September 2014, Sydney Water advised that its prices from 1 July 2014 had included a carbon tax component. However, the company was in consultation with the Independent Pricing and Regulatory Tribunal (IPART) on how to refund the costs associated with the carbon tax. In October 2014, Sydney Water announced that there would be a carbon tax rebate of approximately \$10 to customers in the January 2015 Quarter Billing cycle.<sup>10</sup>

Hunter Water announced that it would refund customers the costs of the carbon tax for the two years after its repeal. For 2014-15, the refund was \$13.23 and paid to customers on 1 November 2014. In July 2015, customers will also receive a refund of \$13.41 for water prices for 2015-16.<sup>11</sup>

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<sup>7</sup> Emma Hope, 21 July 2014, The Mercury, Hobart, viewed 12 June 2015, [www.themercury.com.au/lifestyle/axing-of-carbon-tax-cuts-ttline-fares/story-fnj64obd-1226995337163](http://www.themercury.com.au/lifestyle/axing-of-carbon-tax-cuts-ttline-fares/story-fnj64obd-1226995337163)

<sup>8</sup> Natalie Bochenski, 21 September 2014, Brisbane Times, Brisbane, viewed 12 June 2015, [www.brisbanetimes.com.au/queensland/public-transport-fares-cut-by-five-per-cent-20140921-10jwa5.html](http://www.brisbanetimes.com.au/queensland/public-transport-fares-cut-by-five-per-cent-20140921-10jwa5.html)&ei=T0FxVbybKqXZmAXM\_ICoDw&usg=AFQjCNEeRMvSXn8qkOE6ESrPjJgsHosSlg&bvm=bv.95039771,d.dGY

<sup>9</sup> 16 October 2014, Government of Western Australia, Perth, viewed 12 June 2015, [www.mediastatements.wa.gov.au/pages/StatementDetails.aspx?listName=StatementsBarnett&StatId=8703](http://www.mediastatements.wa.gov.au/pages/StatementDetails.aspx?listName=StatementsBarnett&StatId=8703)

<sup>10</sup> 20 October 2014, Sydney Water, Sydney, viewed 12 June 2015, [www.sydneywaternews.com.au/2014/10/20/carbon-tax-rebate-your-questions-answered/](http://www.sydneywaternews.com.au/2014/10/20/carbon-tax-rebate-your-questions-answered/)

<sup>11</sup> Hunter Water, Newcastle, viewed 12 June 2015, [www.hunterwater.com.au/Your-Account/Managing-Your-Account/Carbon-Tax-Refund.aspx](http://www.hunterwater.com.au/Your-Account/Managing-Your-Account/Carbon-Tax-Refund.aspx)



# Key findings of the ACCC's monitoring activities

## Electricity and natural gas

### Monitoring activities in the June 2015 quarter

The ACCC indicated in its April 2015 Carbon Report that it was investigating a small electricity retailer to ascertain whether that retailer had passed through to customers its carbon tax repeal cost savings.

The ACCC has now completed its investigation and is satisfied that the remaining small retailer has passed through to customers its carbon tax repeal cost savings. The ACCC is satisfied that the carbon tax component has been removed from the retailer's prices and credits were provided to customers for amounts already collected on account of the carbon tax after 1 July 2014.

### Key findings

The ACCC is satisfied that all electricity and natural gas retailers have passed the carbon tax repeal cost savings on to customers and complied with the price reduction obligations.

Tables 2 and 3 below provide an overview of the carbon tax repeal cost savings passed through to customers by electricity and natural gas retailers.

**Table 2: Carbon tax repeal cost savings (GST exclusive) passed through to residential electricity customers<sup>12</sup>**

State	Range (c/kWh)	Average (c/kWh)
NSW	1.50 - 2.60	2.23
VIC	1.87 - 3.37	2.50
SA	1.50 - 2.50	2.12
QLD	1.87 - 2.64	2.47
ACT	2.40 - 2.53	2.49
TAS	2.23	2.23
WA	2.19	2.19
NT	1.39	1.39

<sup>12</sup> The ranges and averages differ from those provided in the ACCC's April 2015 Carbon Report as carbon tax repeal cost savings for the remaining small retailer are included.

**Table 3: Carbon tax repeal cost savings (GST exclusive) passed through to natural gas customers**

State	Range (c/MJ)	Average (c/MJ)
NSW	0.143 - 0.197	0.179
VIC	0.130 – 0.161	0.147
SA	0.142 – 0.212	0.165
QLD	0.149 – 0.163	0.156
ACT	0.188 – 0.199	0.192
TAS	0.142 – 0.158	0.150
WA	0.158 – 0.170	0.164

### Household cost savings

To illustrate the impact of the carbon tax repeal cost savings on electricity and natural gas customers, the ACCC has calculated estimated average annual cost and percentage savings based on the retailers' standing offers<sup>13</sup> and consumption levels typical for the metropolitan area in each state and territory. It is important to note that individual customers' experience will vary between retailers, distribution areas and actual consumption levels.

The consumption levels used for electricity and natural gas are set out in Tables 4 and 5 below.

**Table 4: Typical annual electricity consumption (kWh)<sup>14</sup>**

TAS	NT	ACT	SA	WA	QLD	NSW	VIC
8,080	6,750	6,730	5,980	5,600	5,400	5,310	4,050

Source: Alviss Consulting, Report to the ACCC, March 2015

**Table 5: Typical annual gas consumption per household (GJ)**

QLD	NSW	SA	ACT	TAS	VIC
10	20	20	40	40	60

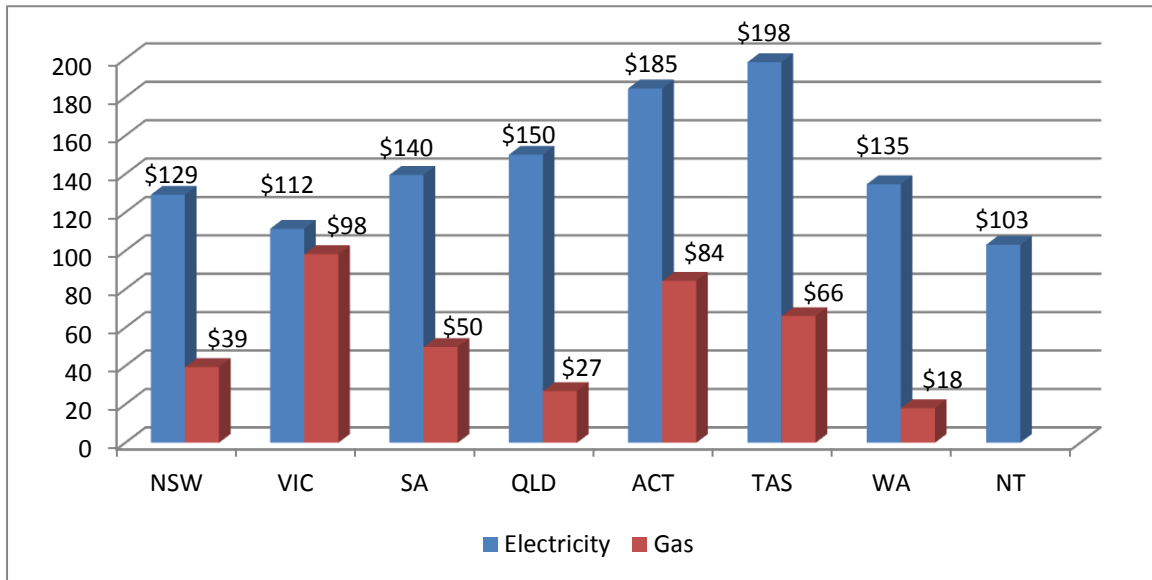
Source: Alviss Consulting, Report to the ACCC, March 2015

The estimated average annual carbon tax repeal cost and percentage savings based on electricity and natural gas retailers' standing offers are set out in Graphs 1 and 2 below.

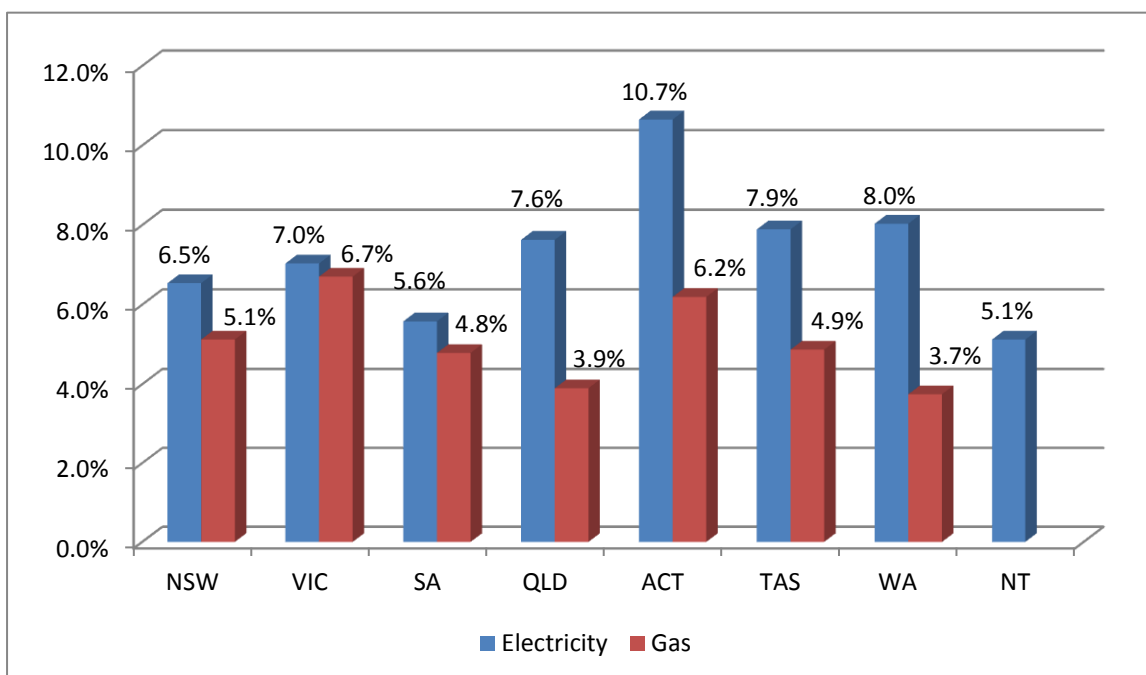
<sup>13</sup> The estimated average percentage cost savings are calculated by reference to the retailers' standing offer prices in effect in July-August 2014 before they implemented the carbon tax repeal in their prices. For those who implemented a single price change to remove the carbon tax component and adjust prices for other factors, the standing offer prices are those the ACCC collected for March-April 2014.

<sup>14</sup> The consumption values chosen are based on the ACIL Allen Consulting report for the AER, Electricity Bill Benchmarks for residential customers, October 2014 for 3 person households with reticulated gas (except in the Northern Territory) and no swimming pool. For WA the annual consumption level is based on the Independent Market Operator's 2014 SWIS Electricity Demand Outlook, July 2014.

**Graph 1: Estimated average annual carbon tax repeal cost savings for residential customers<sup>15</sup>**



**Graph 2: Estimated percentage carbon tax repeal cost savings for residential customers<sup>16</sup>**



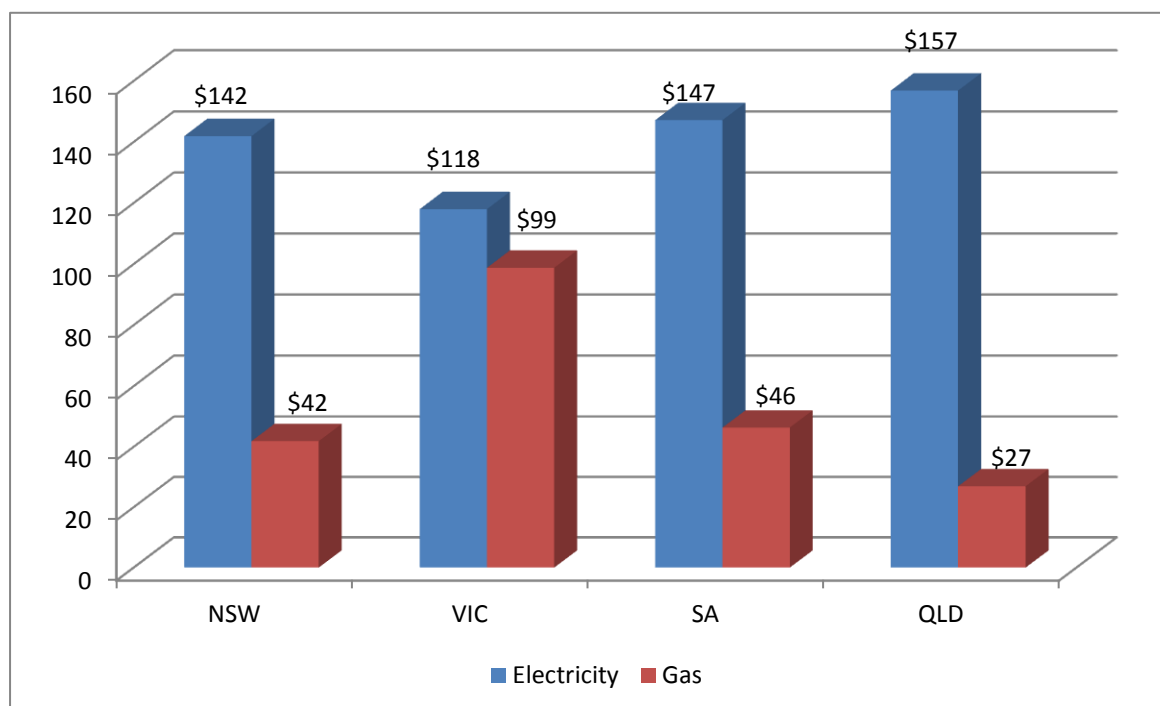
<sup>15</sup> There are some small variations in the estimated average annual carbon tax repeal cost savings for electricity in some states compared with Graph 3 of the ACCC's April 2015 Carbon Report, as the carbon tax repeal cost savings for the remaining small electricity retailer have now been included in the calculation of the averages. Average annual gas savings differ from the figures in Graph 21 of the ACCC's April 2015 Carbon Report, which had omitted GST. GST is included in the present figures.

<sup>16</sup> There are some small variations in the estimated percentage carbon tax repeal cost savings for electricity in some states compared with Graph 4 of the ACCC's April 2015 Carbon Report, as the carbon tax repeal cost savings for the remaining small electricity retailer have now been included in the calculation of the percentages. Estimated percentage savings for gas differ from the figures in Graph 22 of the ACCC's April 2015 Carbon Report, which had omitted GST in the cost saving figures. GST is included in the present figures.

AGL, Origin and EnergyAustralia remain the leading electricity retailers in eastern and southern Australia. The three retailers jointly supplied over 70 per cent of small electricity customers and over 80 per cent of small natural gas customers at 30 June 2014.<sup>17</sup> For this reason, the ACCC has calculated separate estimates of average annual cost savings for the three larger retailers in New South Wales, Victoria, South Australia and Queensland.

The estimated average annual carbon tax repeal cost savings for electricity and natural gas customers of the three largest retailers are set out in Graph 3 below.

**Graph 3: Estimated average annual carbon tax repeal cost savings for residential customers of the three largest retailers<sup>18</sup>**



## Synthetic greenhouse gas

### Monitoring activities in the June 2015 quarter

In the June 2015 quarter, several SGG entities confirmed the effect of the carbon tax repeal on the price of SGGs. The ACCC received responses from a bulk SGG importer, non-importer SGG wholesalers and an SGG equipment supplier that were issued compulsory information notices pursuant to s 60H of the CCA. The ACCC issued notices to these entities because they did not respond to the ACCC's requests for voluntary information in a timely manner. The ACCC has now concluded its price monitoring activities of the SGG sector and is satisfied that the remaining SGG entities have passed through to customers their carbon tax repeal cost savings.

<sup>17</sup> AGL, Origin and EnergyAustralia's joint market shares of small electricity customers at 30 June 2014 were 94% in NSW, 81% in South Australia, 67% in Victoria and 61% in Queensland. The three retailers' joint market shares for small natural gas customers at 30 June 2014 were 97% in NSW, 90% in South Australia, 76% in Victoria and 100% in Queensland (AER State of the Energy Market 2014).

<sup>18</sup> The ACCC has calculated estimated average annual cost savings based on the retailers' standing offers (see also footnote 15) and consumption levels typical for the metropolitan area in each state (see also footnote 16).

## Key findings

Responses from SGG entities have confirmed the ACCC's observations noted in the April 2015 Carbon Report that, where applicable, at the bulk import, wholesale and equipment supply levels, prices of the most common SGGs that attracted the equivalent carbon price levy (the levy) have reduced to approximately the same levels as, or lower than, those before the introduction of the carbon tax. Identifiable cost savings have been passed on following its repeal. While the price increases at the introduction of the carbon tax may not have all been directly due to increased carbon tax costs, cost savings were nevertheless reported upon repeal as imports without the carbon tax impost re-emerged, putting downward pressure on prices.

Table 6 below demonstrates average price movements due to the carbon tax that some bulk SGG importers provided.<sup>19</sup>

**Table 6: Price ranges for average SGG prices at the bulk SGG import level**

SGG	Pre-carbon tax <sup>20</sup>	Carbon tax period <sup>21</sup>	Post-carbon tax repeal <sup>22</sup>
R-134a	\$20/kg	\$40/kg to \$59/kg	\$9/kg to \$18/kg
R-410A	\$30/kg	\$38/kg to \$80/kg	\$10/kg to \$34/kg
R-404A	\$23/kg	\$75/kg to \$109/kg	\$8/kg to \$31/kg

Table 7 below contains average price ranges provided by several SGG wholesalers. Average SGG wholesaler prices were dependent on a number of factors including SGG type, volume sold and contractual arrangements, for example those regarding the use and service of gas cylinders. Prices are also dependent on import prices and relevant supply arrangements.

**Table 7: Price ranges for average SGG prices at the wholesale level**

SGG	Pre-carbon tax	Carbon tax period	Post-carbon tax repeal
R-134a	\$13/kg to \$20/kg	\$47/kg to \$94/kg	\$14/kg to \$30/kg
R-410A	\$23/kg to \$39/kg	\$68/kg to \$167/kg	\$22/kg to \$32/kg
R-404A	\$17/kg to \$45/kg	\$100/kg to \$182/kg	\$17/kg to \$33/kg

<sup>19</sup> Table 6 does not include pricing data of bulk SGG importers that supplied specialised SGGs, did not engage in a regulated supply during the carbon tax repeal transition period, or were not liable for the levy during the carbon tax period.

<sup>20</sup> Indicative average prices only, due to limited data.

<sup>21</sup> Prices affected by a number of factors including the equivalent carbon tax levy, associated indirect costs, import parity pricing and limited competition at the bulk import level.

<sup>22</sup> Prices affected by a number of factors including the removal of the equivalent carbon tax levy and any indirect costs, increased competition and the removal of certain intellectual property protections leading to increased supply and lower prices.

## Background

Certain SGGs attracted the levy, applied through the *Ozone Protection and Synthetic Greenhouse Gas Management Act 1989*.<sup>23</sup> The ACCC notes that the levy did not apply to some commonly used refrigerant gases such as R22. Throughout the monitoring period, the ACCC sought relevant information from bulk SGG importers/wholesalers, non-importer SGG wholesalers and SGG equipment suppliers. The information requests and the ACCC's monitoring activities in the SGG sector focused on the most commonly imported refrigerant gases, to which the levy applied, which are R-134a, R-410A and R-404A.

### *Bulk importers/wholesalers*

The ACCC found that several SGG importers stockpiled large quantities of R-134a, R410-A and R-404A before the introduction of the levy. There was a significant decrease in imports after the levy introduction and a small rise in imports following the carbon tax repeal.

The ACCC found that SGG wholesale prices increased significantly around the time of the introduction of the carbon tax. Import parity pricing appeared to be a significant factor that drove the initial SGG price increase after the levy was introduced. Stockpiling meant that bulk SGG importers were able to avoid paying the levy on nearly all of the SGGs they supplied during the carbon tax period. Limited competition at the import level enabled importers to sustain prices at levels that reflected the inclusion of a levy component even though there was not a carbon tax cost component on stockpiled SGGs. In addition to import parity pricing, bulk SGG importers and non-importer SGG wholesalers indicated that price increases were also due to indirect carbon tax costs, such as increased insurance, finance, administrative and compliance costs, and additional infrastructure requirements.

Responses the ACCC received from SGG entities in the June 2015 quarter confirmed that, following the repeal, average prices at the bulk import, wholesale and equipment supply levels for most common SGGs have reduced to approximately the same levels as, or lower than, before the carbon tax commencement. The ACCC notes this may not be due solely to the carbon tax repeal. In the June 2015 quarter, the ACCC also observed that prices for gases from SGG wholesalers continued to decrease.

Following the repeal, the removal of the levy appeared to have the effect of reversing the pricing considerations at the carbon tax introduction. The import parity price has fallen substantially as wholesalers had viable countervailing power to import stock without paying the levy. This was assisted further by the removal, in the interim, of intellectual property protections leading to additional global sources of supply and lower international market pricing.

### *Synthetic greenhouse gas equipment*

The ACCC has confirmed that the impact of the carbon tax on the cost of equipment suppliers' products was minimal. SGG equipment suppliers' responses indicated that the cost of carbon tax was so insignificant that it was generally not factored into consideration of the overall pricing of SGG equipment suppliers' products.

The ACCC has also confirmed that most wholesale prices for SGG equipment were generally set with reference to the market price. As noted in the April 2015 Carbon Report, the wholesale price of SGG equipment is mostly reflective of the particular features and functions of the equipment.

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<sup>23</sup> Australian Government Department of the Environment, Canberra, viewed 12 June 2015, <http://www.environment.gov.au/protection/ozone/synthetic-greenhouse-gases/equivalent-carbon-price>

## Landfill facility operation

Landfill facility operators are not suppliers of regulated goods so the carbon tax price reduction obligations of the CCA do not apply to them. Landfill facilities are generally operated by private companies or local councils. Some landfill operators were liable entities because they exceeded the relevant emissions threshold, but many were not liable entities.

### Monitoring activities in the June 2015 quarter

In the June 2015 quarter, the ACCC engaged with many landfill facility operators to ascertain what they had done or intended to do with funds they held that had been collected for future carbon tax liabilities that will no longer eventuate.

### Key findings

#### *Removal of carbon tax cost components from landfill facility gate fees*

Of the landfill facility operators that were liable entities:

- Some never passed through any carbon tax costs in their landfill facilities' gate fees and consequently, took no action in relation to their gate fees after the carbon tax repeal.
- Some removed the carbon tax cost components from their 2014-15 financial year gate fees on 1 July 2014 in anticipation of the carbon tax being repealed during 2014-15.
- The majority included a carbon tax cost component in the gate fees they set for 2014-15 and subsequently removed the carbon tax cost components after the carbon tax repeal.

Of the liable entities in the last category above that engaged with the ACCC, their reductions in gate fees ranged from \$5.00 to \$38.50 per tonne, with an average reduction of \$17.12 per tonne.

#### *Refunds of carbon tax components paid in gate fees during the refund period*

Of those entities that included a carbon tax cost component in their 2014-15 gate fees and subsequently removed these components after repeal, some undertook to refund customers for the components they paid during the refund period.

Across all entities that chose to provide such refunds, the average refund amount for each customer type, and the totals of all refund amounts for each customer type, is as follows:

**Table 8: Refunds provided due to retrospective application of the carbon tax repeal legislation for carbon tax components paid during the refund period**

Customer Type	Average refund provided	Total refunds provided
Customers on contracts	\$18,823.73	\$127,759.99
Account customers	\$864.84	\$990,782.95
Identifiable cash customers <sup>24</sup>	\$165.50	\$5,461.47
Unidentifiable cash customers <sup>25</sup>	\$134.68	\$10,265.07

<sup>24</sup> Where the landfill operator proactively sought out identifiable cash customers and provided such customers with refunds.

<sup>25</sup> Unidentifiable cash customers are customers who proactively sought a refund and obtained a refund upon production of a receipt. While a number of entities offered such refunds, only two entities reported customers actually applying for a refund.

Those entities that did not refund customers for the carbon tax cost components paid during the refund period instead decided to utilise the money in a variety of ways such as:

- funding improvements or redevelopments to their landfill facilities
- funding the installation and operation of emissions abatement measures, or
- setting gate fees for 2015-16 lower than they otherwise would have been.

### ***Money collected for future carbon tax liabilities that will no longer eventuate***

Many liable entities charged carbon tax cost components to a customer or ratepayer that factored in the entity’s liability for the waste deposited by that customer or ratepayer for as long as that waste will continue to produce liable emissions.<sup>26</sup> Accordingly, now that the carbon tax has been repealed, these entities have collected monies for future carbon tax liabilities that will no longer eventuate.

Seeking to address this issue, on 22 December 2014 the Department of the Environment (DoE) released a consultation paper entitled “Handling of Early Collected Carbon Tax Charges held by Landfill Operators” (the consultation paper). The consultation paper sought input from industry stakeholders on the terms of a proposed voluntary framework for the use of money collected for future carbon tax liabilities that will no longer eventuate. A number of landfill operators that were liable entities made submissions on the consultation paper. The ACCC supports the proposed voluntary framework, as noted in its January and April 2015 Carbon Reports.

Entities holding excess carbon tax revenue reported a variety of approaches to this issue, with some taking action to utilise their excess carbon tax revenue irrespective of the outcome of the DoE’s consultation paper.

Two entities that are local councils have chosen to redistribute all of their excess carbon tax revenue to their ratepayers via credits in their rates notices.

At present, six entities have provided refunds from this money to landfill customers. From the information provided, the average and total value of refunds provided thus far are as follows:

**Table 9: Refunds provided to landfill customers from money collected for future carbon tax liabilities that will not eventuate**

<b>Customer Type</b>	<b>Average refund provided</b>	<b>Total refunds provided</b>
<b>Local Council customers</b>	\$2,070,580.38	\$5,283,424.86
<b>Other customers on contracts</b>	\$152,337.15	\$2,149,196.15
<b>Account customers</b>	\$10,790.08	\$679,775.04

However, as these refunds have only been provided to customers that hold contracts and/or accounts with landfill owners, these six entities still hold some excess carbon tax revenue.

Additional approaches to the excess carbon tax revenue issue reported by entities are:

- Nine entities advised that, in principle, they will use their excess carbon tax revenue in accordance with a voluntary framework of the type proposed in the consultation paper.

<sup>26</sup> As noted in the July 2014 Carbon Report, in estimating the future emissions of a tonne of waste over its ‘life’ in a landfill facility, the periods of time liable entities used ranged from 30 to over 100 years.



- Eight entities advised they will make a decision regarding their intention for these funds once the Government announces a final voluntary framework for the use of such funds.
- Four entities advised that their excess carbon tax revenue will be used to fund emissions reduction projects.
- Five entities advised that their excess carbon tax revenue will be used to fund capital works at their landfills.
- Four entities that are local councils advised that their excess carbon tax revenue will be used to fund council projects unrelated to emissions reduction or landfill capital works.
- Three entities that are local councils advised that their excess carbon tax revenue will be absorbed into their budgets and used to either lower future rates, fees and charges, or offset council debt.
- Two entities have advised that they have not yet made a decision regarding the money.

The ACCC is aware that further discussions are occurring between the Government and the industry on a proposed voluntary framework for the use of excess carbon tax revenue. The ACCC supports the industry working collaboratively with the Government to create a framework for the use of such funds. The ACCC encourages currently undecided landfill operators to use their funds in accordance with the framework to be announced by the Government. Although the price exploitation provisions of the CCA do not apply to the landfill industry, the ACCC expects landfill operators to be transparent with customers and ratepayers about how they will deal with their excess carbon tax revenue.

## Local councils—general rates and waste management charges

The ACCC's price monitoring role focused on local councils that were liable entities and has not covered the impact of the carbon tax, and its repeal, on local councils that were not liable entities. The majority of Australian local councils were not liable entities. However given the public interest in the local councils' response to the carbon tax scheme and its repeal, the ACCC provided information on local councils in the October 2014 and January 2015 Carbon Reports. The conduct of local councils concerning the setting of their rates is not subject to Part V of the CCA, nor any other provisions in the CCA. Local councils are, however, ultimately accountable to their ratepayers.

The carbon tax likely affected most local councils' rates due to their suppliers' pass through of carbon tax costs. The ACCC is aware that many local councils have made public statements about the removal of the carbon tax costs from their general rates and waste management charges. A list of these councils is at Annexure 1 of this report.

## IPART rate peg determination in NSW

IPART regulates general rates in NSW. It sets a rate peg each financial year which determines the maximum allowable percentage increase in general income (mainly rates income) for NSW's 152 local councils. Generally, NSW local councils had a carbon tax cost component included in their 2012-13 rates due to IPART's December 2011 rate peg determination including a specific carbon price related advance of 0.4 per cent. IPART then reversed this rate peg over two years by removing 0.1 per cent from the 2013-14 rate peg, and 0.3 per cent from the 2014-15 rate peg. As noted in the ACCC's January 2015 Carbon Report, in its rate peg determination for 2015-16, IPART explains that it did not include any specific allowance in relation to the carbon tax repeal.<sup>27</sup>

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<sup>27</sup> See the *Local councils that are not liable entities* section of the January 2015 Carbon Report on pages 30-31.

## Paper, glass and plastic

The ACCC determined that the degree of pass through of carbon tax costs varied across liable entities in these industries:

- Some were able to pass through all their carbon tax costs.
- Others were only able to pass through a portion of their carbon tax costs.
- Some paper manufacturing entities were not able to pass through any carbon tax costs because they operate in global markets and in any case had no net carbon tax costs to pass through because of assistance received under the Jobs and Competitiveness Program (JCP).

Where carbon tax costs had been passed through, paper, glass and plastic manufacturers had generally removed those costs from their prices after repeal, except where entities had stock on hand purchased before the repeal that legitimately contained a carbon tax cost component. In those cases, cost savings due to the carbon tax repeal were passed on once carbon tax inclusive stock depleted. All of these carbon tax costs were removed from prices by 1 September 2014.

Some entities, however, had no electricity-related carbon tax cost savings to pass through after repeal because their electricity supply was pursuant to carbon inclusive contracts. As mentioned in the January 2015 Carbon Report, entities who had carbon inclusive electricity contracts generally obtained prices which were calculated using forward looking factors including the repeal of the carbon tax. The ACCC expects any carbon tax cost savings from the repeal will be realised once these energy contracts are re-negotiated.

## Food–dairy and ingredients

The ACCC is satisfied that all entities in this industry have removed any carbon tax components from their prices, with one exception.<sup>28</sup> Although the industry faced significant challenges in passing through its net carbon tax costs, all liable entities were able to achieve some pass through of their carbon tax costs on some of their products. The extent of the pass through of their carbon tax costs depended on the exposure of each product to international trade, and the ability of their downstream customers to resist price rises. All entities contacted by the ACCC either have provided, or are in the process of providing, refunds of the carbon tax component of their prices during the refund period.

## Explosives

The ACCC notes that where liable entities in this sector passed through carbon tax costs, they did not pass through all of their carbon tax costs. This was largely due to the fact that the commodity is heavily exposed to international prices, or where the manufacturing process was undertaken by related bodies and costs were passed through as a matter of internal accounting. The ACCC is satisfied that where any carbon tax costs were passed through in this sector, such amounts were removed from liable entities' prices after repeal.

In some cases, the pass through of carbon tax costs was done via a one-off administration fee, while in others it occurred via a contractual mechanism through which, at regular intervals, prices were raised automatically as input costs increased. For some entities the impact of the carbon tax was partially offset by assistance provided under the JCP and

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<sup>28</sup> As mentioned in the January 2015 Carbon Report, one entity expected to remove any carbon tax components from its prices in February 2015. That entity has advised the ACCC that, due to extended discussions with its electricity provider, which have now concluded, this has been delayed until August 2015. The entity has advised its customers that it will provide refunds of the carbon tax components shortly.

abatement measures. Given this industry's significant exposure to changes in gas prices, sharp gas price increases offset some of the cost savings from the carbon tax repeal.

## **Construction materials**

The ACCC is satisfied that, where price increases related to the carbon tax were made, there is no information available to indicate that any liable entities in the construction material manufacturing sector are continuing to charge prices that include any carbon tax components. The ACCC assessed the representations and conduct of Boral Limited and Brickworks Ltd regarding the prices of bricks and related products, and did not consider that any of their representations or conduct could be held to be misleading.

The ACCC determined that the degree of pass through of carbon tax costs varied across different products in these industries. Some entities were able to raise their prices for some products to pass through their carbon tax costs, while others were unsuccessful or did not attempt to do so. Intense price competition from entities that did not incur direct carbon tax costs, including in some cases from imports, and countervailing customer bargaining power, were the main reasons identified for not passing through carbon tax costs. Others had no net carbon tax costs to pass through due to assistance received under the JCP.

Entities, which had passed through their carbon tax costs, removed any carbon tax cost components from their prices after the repeal. However, despite removing the carbon tax cost component from their prices, some entities increased their overall prices as increased input costs and demand for some construction materials offset the impact of the repeal. Many products saw no change in prices directly due to the carbon tax repeal because these prices did not include a carbon tax cost component.

## **Liquid and gaseous fuels**

The ACCC is satisfied that carbon tax costs have been removed from liable entities' prices in this sector following the carbon tax repeal, and notes that in relation to LPG, price increases after the repeal were not as high as they otherwise would have been without the repeal. The ACCC noted that entities in these markets are trade exposed to international and domestic competition from entities that did not incur direct carbon tax costs. This affected some entities' ability to pass through their carbon tax costs.

Entities that manufacture fuels for use in private on-road transport (which did not attract any direct carbon tax liability) all reported that they did not change prices due to the carbon tax introduction. This information is also consistent with information the ACCC obtained through its fuel price monitoring role.

Although entities that manufacture fuels for non-transport use or public on-road transport use reported varying ability to pass through carbon tax costs (depending on the fuel type), the ACCC is satisfied that carbon tax costs were removed from their prices following the repeal.

## **High technology, meat and meat by-products, metal, fertiliser, and prepared food manufacturing industries**

The ACCC's monitoring confirmed that liable entities in these industries did not pass through any carbon tax costs to their customers due to:

- these entities having received assistance, under programs such as the JCP and the Steel Transformation Plan, which partially or fully offset their carbon tax costs
- the need to remain competitive with domestic industry participants who were not liable to pay the carbon tax, and/or

- their exposure to competition with overseas entities that were not subject to the carbon tax.

## **Transport**

Transport companies (transport operators and freight forwarders) monitored by the ACCC had, effective from 1 July 2014, removed their carbon surcharges in full, and decreased their prices as a result of the carbon tax repeal.

All entities in the transport industry that provided information to the ACCC included a carbon surcharge in the pricing for their transport services at the introduction of the carbon tax in 2012. Participants in the transport industry paid carbon costs through increases in fuel excise, customs duty (for aviation fuel), or decreases in fuel tax credits (for off-road vehicle, sea and rail fuel). Those cost increases were reversed upon the carbon tax repeal.

### **Domestic passenger air transport services**

The ACCC assessed whether statements made by domestic airlines regarding the effect of the carbon tax repeal on airfares were misleading or deceptive and decided to take no further action.

At the time of the carbon tax repeal, both Qantas and Virgin made statements that their fares were unable to recover the cost of the carbon tax and therefore would not fall when it was repealed.

The ACCC found that the airlines attempted to recover the cost of the carbon tax by increasing their airfares and were likely to have had some, albeit limited, success in recovering these costs in the period immediately after these fare increases were applied. However, the ACCC considered these fare increases were likely to have been transitory, and not enduring over the period that the carbon tax was in effect due to issues including significant passenger capacity increases during the period. The ACCC considered that Qantas' representations may have given passengers the impression that its efforts to recover the cost of the carbon tax did not affect its fares. The ACCC also considered that it failed to adequately qualify some of its statements. However, the ACCC also understood that Qantas restored corporate discounts as part of the process of removing its carbon tax surcharge. Having considered all of the above factors, the ACCC decided to take no further action in relation to Qantas' representations. The ACCC assessed but did not have concerns regarding Virgin's representations.

### **Manufacturing tolling services**

Tolling occurs where a contracting company provides raw materials to a manufacturer for transforming, with the contracting company retaining ownership of the finished product. The price the manufacturing facility charges for the service is independent of the price of the contracting company charges its customers for the finished product. This arrangement allowed a number of tolling facility operators to successfully pass through carbon tax costs to their contracting companies. These contracting companies operate in other industries discussed in this report (such as the meat and meat by-products, and metal manufacturing sectors) in which entities were not able to pass through their carbon tax costs to their own customers. The ACCC is satisfied that following the repeal, all carbon tax costs have been removed from tolling contracts.

## **Water and sewerage services**

Prices in this sector are regulated and in setting prices, regulatory authorities take into account any increases in operating costs facing the entities. These included both direct and indirect carbon tax costs.

The ACCC considered that independent regulatory body pricing determinations ensured that any entity's operating cost reductions relating to the repeal were reflected in the prices charged to their customers.

## **Vehicle parking services and retail property**

Entities in the vehicle parking services and retail property industries are not subject to the price reduction obligation under Part V of the CCA. The ACCC assessed these entities because they made public statements about the impact of the carbon tax.

Entities in these industries informed the ACCC that they would remove the carbon charges once they no longer incurred any carbon-related costs, and continue to pass through any carbon tax repeal cost savings.

The ACCC is not aware of any public statements made by entities in these industries about how they would deal with the effects of the carbon tax or its repeal. As noted in the July 2014 Carbon Report, the ACCC did not send further information requests to these entities but has continued to monitor for complaints. The ACCC has not received any complaints relating to the entities not passing through their carbon tax repeal cost savings.

## Compliance

In the June 2015 quarter, the ACCC focused on finalising its monitoring activities and ensuring there are no outstanding issues in anticipation of the end of its formal monitoring role on 30 June 2015. The ACCC received confirmation from one small electricity retailer and several SGG entities about the pass through of carbon tax repeal cost savings and monitoring price movements to determine the impact of the carbon tax repeal on those entities' prices. The ACCC also continued its engagement with certain landfill operators to confirm their decisions regarding the use of excess carbon tax revenue.

In summary for the June 2015 quarter, the ACCC:

- completed its investigation of one small electricity retailer and is satisfied that the entity has passed through to customers its carbon tax repeal cost savings
- finalised its price monitoring activities in the SGG sector
- sent 37 price monitoring requests to entities in the landfill sector
- released one publication on 29 April 2015: [Carbon tax price reduction obligation: the ACCC's operations March 2015 quarter](#).

### Summary of compliance activities—monitoring period

The ACCC's compliance activities began under the Direction to monitor prices, costs and profits from 1 March 2014 to the carbon tax repeal and then under the monitoring provisions in the carbon tax price reduction obligation legislation to 30 June 2015.

During that time, the ACCC:

- sent 839 monitoring requests, 496 of which related to the regulated sectors
- participated in 87 stakeholder engagement meetings
- issued various media releases, targeted publications and online information as well as the monitoring reports.

### Complaints summary—June 2015 quarter

In the June 2015 quarter, the ACCC received the following carbon tax related complaints and enquiries:

**Table 10: June 2015 quarter complaint summary—conduct**

Alleged Conduct	Description	This Period	Total Since 1 July 2014
<b>False or misleading representations or Misleading or deceptive conduct</b>	In relation to the effect of the carbon tax/repeal (s 60K CCA, ss 18, 29 ACL)	2	45
<b>Price exploitation</b>	Failure to pass on all cost savings from carbon tax repeal (s 60C)	10	203
<b>Scams related to carbon tax</b>	Scams related to the carbon tax/repeal	0	27
<b>General carbon related enquiries</b>	Requests for information or guidance about the carbon tax/repeal	4	202

<b>General carbon tax complaints</b>	General complaints about the carbon tax/repeal	8	216
<b>Total</b>		<b>24</b>	<b>693</b>
<b>Small Business</b>	Subset of above related to small business	3	78

**Table 11: June 2015 quarter complaint summary–industry**

	<b>Industry</b>	<b>This Period</b>	<b>Total Since 1 July 2014</b>
<b>Energy</b>	<b>Electricity</b>	7	177
	<b>Natural Gas</b>	0	32
	<b>Unspecified</b>	6	212
	<b>Synthetic greenhouse gas</b>	6	57
	<b>Waste or landfill</b>	0	19
	<b>Transportation or fuel</b>	0	17
	<b>Manufacturing or construction</b>	1	17
	<b>Government</b>	3	84
	<b>Retail</b>	0	5
	<b>Food and Grocery</b>	0	6
	<b>Other</b>	1	67
	<b>Total</b>	<b>24</b>	<b>693</b>

Complaints and enquiries (contacts) reported to the ACCC in this quarter decreased significantly. As expected, a majority of the contacts received were about energy, with contacts wanting to check if their energy cost savings were in line with what was expected.

### **Complaints summary – carbon tax repeal**

Contacts to the ACCC in relation to the carbon tax repeal totalled 693. During the period, contacts peaked at approximately 175 in September 2014 and then continued to decline.

In the June 2015 quarter, the ACCC received approximately one to two contacts per week. Energy remained the largest category, constituting over 60 per cent of all contacts received.

During the time that the carbon tax scheme was in place, the ACCC received 3195 identifiable contacts consisting of complaints and enquiries. Contacts peaked at the introduction of the carbon tax, with 1590 contacts in July 2012, 645 in August 2012 and 256 in September 2012. Contact numbers declined to an average of around 27 per month for 2013 and six in the first half of 2014. Contacts in 2014 also included queries about the proposed carbon tax repeal. As with the carbon tax repeal, the largest category of contacts concerned the energy sector.



## Enforcement

The ACCC has been pleased with the high levels of compliance with the carbon tax price reduction obligation and consequently, has not needed to undertake any enforcement activities relating to the price reduction legislation in the June 2015 quarter or since the start of its monitoring role on 1 March 2014. The ACCC also assessed representations made about prices by reference to the general prohibitions against misleading and deceptive conduct in the Australian Consumer Law (ACL), as well as the specific prohibition against false or misleading representations relating to the carbon tax repeal.

During the period, the ACCC was not required to issue any notices to aid prevention of price exploitation in relation to the carbon tax repeal pursuant to s 60E of the CCA.

The carbon tax price reduction obligation concluded on the 30 June 2015. However, the CCA may still apply to any misleading carbon tax related statements made during or after the carbon tax repeal transition period.

On 30 April 2014 the ACCC instituted proceedings against Actrol Parts Pty Ltd (Actrol), alleging that it had engaged in false, misleading or deceptive conduct by representing that price increases effective 1 July 2012 were in part due to the introduction of the carbon tax scheme. On 2 April 2015 the Federal Court of Australia found that Actrol had engaged in conduct that was misleading or deceptive, or likely to mislead or deceive, and made false or misleading representations in contravention of sections 18(1) and 29(1)(i) of the ACL.<sup>29</sup> These representations were made in letters to its customers and on its website, by attributing significant price increases of certain SGGs to the implementation of the carbon tax, changes in input costs and general market conditions. The Court found that Actrol had in fact increased its prices to increase its margins and earnings to take into account increased supply costs of these products. The Court ordered Actrol pay a pecuniary penalty of \$520 000 in respect of its contraventions of section 29(1)(i) of the ACL in addition to other orders.

### Summary of information gathering activities related to the carbon tax repeal

The ACCC:

- sent 244<sup>30</sup> carbon tax removal substantiation notices and received 244 responses
- received 283 carbon tax removal substantiation statements<sup>31</sup>
- issued seven section 60H information gathering notices.

The ACCC is able to report a high level of compliance in relation to its information gathering powers and under the carbon tax price reduction obligation provisions.

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<sup>29</sup> *ACCC v Actrol Parts Pty Ltd* [2015] FCA 312.

<sup>30</sup> Originally, the ACCC sent 261 notices, however 17 were revoked. The reasons for revocation included notices which were issued to entities that did not sell to customers, entities which no longer existed, duplicate notices sent to the same entity or incorrect entity name and notices which were unable to be correctly served.

<sup>31</sup> The ACCC expected to receive 244 carbon tax removal substantiation statements. Additionally, 39 entities provided carbon tax removal substantiation statements to the ACCC in the abundance of caution.



## Annexure 1: Local Councils

**Table 11: Local councils' public announcements regarding lower charges and refunds of general rates and waste management charges due to the carbon tax repeal<sup>32</sup>**

<b>Council</b>	<b>Date of media report or announcement</b>	<b>Announcement</b>
Glen Eira City Council (liable entity)	16/07/2014	The carbon tax component was removed from waste management charges as part of the 2014-15 budget, resulting in reductions of up to \$37.00.
Brisbane City Council (liable entity)	17/07/2014	A refund of \$36.00 on average will be applied to ratepayers' October 2014 quarterly rates notices.
Townsville City Council (liable entity)	17/07/2014	Ratepayers will receive a \$20.00 saving upfront on their waste utility charge (from \$234.00 to \$214.00).
Casey City Council	25/07/2014	The 6.3 per cent rate rise announced in June will now fall to 5.9 per cent.
Town of Victoria Park	26/07/2014	It had cut the carbon tax charge from its 2014-15 budget.
Kingston City Council	30/07/2014	It had originally flagged a 4.25 per cent increase in rates for 2014-15, but after the carbon tax repeal, the rate rise will now be 4.06 per cent.
City of Greater Geelong	31/07/2014	The carbon tax component was removed from waste management charges as part of the 2014-15 budget.
Maitland City Council (liable entity)	01/08/2014	The domestic waste management charge has been reduced by \$29.45.
Wyndham City Council (liable entity)	5/08/2014	It will remove the carbon tax component from the waste management service charge, resulting in a reduction of \$8.17 in 2014-15, from \$259.00 per bin to \$250.83.
Logan City Council (liable entity)	05/08/2014	It has resolved to make a one off refund through the rates notice to those ratepayers who have contributed to the carbon tax through the waste charge on their rates notice. Ratepayers with a standard bin will receive a refund of \$14.76.
Singleton Council	05/08/2014	It will reduce domestic and commercial waste charge in mid-September 2014. Any waste charges that have been collected by the council will be adjusted by means of a credit to ratepayers' accounts.
Charles Sturt Council	06/08/2014	The 2014-15 budget already factored in savings from the carbon tax repeal.
City of Darwin (liable entity)	13/08/2014	Ratepayers will see a refund of \$29.67 in garbage and recycling service charges by means of a grant in their August 2014 rates notices.

<sup>32</sup> This table is an update of Table 10 of the October 2014 Carbon Report, pages 67-68.

Cessnock City Council (liable entity)	14/08/2014	The annual domestic waste management service charge will reduce from \$525.00 to \$480.00 per service, a saving of \$45.00. As rates notices have already been issued, ratepayers will receive a credit on their account to reflect the lower charge.
Wodonga City Council	19/08/2014	Ratepayers will get a \$17.40 reduction in waste management charges.
Redland City Council	22/08/2014	Ratepayers will receive a one-off rates refund of \$38.48 in their next rates notices.
Rockhampton Regional Council (liable entity)	27/08/2014	Ratepayers will receive a reduction in their January 2015 rates notice which signifies the portion of the carbon tax expense per property.
Mackay Regional Council	27/08/2014	Ratepayers will receive a \$18.46 refund in the Waste Facilities Operations Levy added to rates. This will be a credit displayed in February 2015 rates notices.
Indigo Shire Council	28/08/2014	A reduction in waste collection charges of about \$14.00 will be passed on to ratepayers.
City of Tea Tree Gully	09/09/2014	Ratepayers will receive a rates refund as a credit on their next quarterly rates notices in October 2014, with the average residential ratepayer saving \$7.00.
Griffith City Council (liable entity)	09/09/2014	Ratepayers will receive a rates refund of \$7.00 per eligible assessment for 2014-15. The refund will be provided as a credit in October 2014 quarterly rates notices.
Blue Mountains City Council	10/09/2014	A one-off credit of \$18.59 will be applied to all residential properties levied in 2014-15. Residents will see this credit on one of their quarterly rate notices in 2014-15.
Ipswich City Council	18/09/2014	A one-off rates refund will be included in October-December 2014 rates notices and ratepayers should expect to see an average refund of \$14.04.
Gold Coast City Council (liable entity)	6/11/2014	A one-off refund in waste management utility charges will be provided to ratepayers in the January 2015 rates notice. The average residential property will receive a refund of \$14.60.
Alice Springs Town Council	27/03/2015	It will return \$80 000 of collected carbon tax from 2013-2014 to ratepayers. This will be reflected in 2015-2016 rates notices.
City of Greater Bendigo	15/04/2015	Ratepayers will receive a refund of \$20 for each waste collection service paid for in 2014-15. This refund will be reflected in 2015-2016 rates notices.
Hobson Bay City Council	23/04/2015	It had originally proposed a rate increase of 6.8 per cent, but now the average increase for combined residential rates and waste management charges will be 3.8 per cent. This reduction is in part due to offsetting the refund to ratepayers of \$650 000 in collected carbon tax.

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Townsville City Council (liable entity)	25/05/2015	A \$35.00 refund in general rates will be provided to ratepayers across their next two rates bills in August 2015 and February 2016.
Port Pirie Regional Council	4/06/2015	The waste management fee component of rates will reduce from \$228.00 to \$212.00 as a result of the carbon tax repeal and more efficient waste transfer station procedures.
Sunshine Coast Regional Council (liable entity)	25/06/2015	Ratepayers with a council waste management service will receive a one-off \$17 carbon tax rebate in July 2015.

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## Annexure 2: Glossary

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<b>Abatement measures</b>	Measures an entity has put in place in order to reduce its direct emissions and therefore its direct carbon tax costs.
<b>ACCC</b>	The Australian Competition and Consumer Commission.
<b>AER</b>	The Australian Energy Regulator.
<b>Carbon inclusive contract</b>	A carbon inclusive contract has a single all inclusive price that does not identify a carbon component. The prices under these contracts were generally fixed with reference to a number of forward looking factors, including the expectation of the repeal of the carbon tax.
<b>Carbon tax</b>	The carbon price mechanism which came into effect on 1 July 2012. It was a cap-and-trade emissions trading scheme, beginning with a three-year fixed price and then transitioning to a full emissions trading scheme in 2015. It applied to entities producing more than 25 000 tonnes per year of CO <sub>2</sub> -e emissions.
<b>Carbon tax repeal transition period</b>	Under s 60A of the CCA, means the period: <ul style="list-style-type: none"><li>• beginning at the start of 1 July 2014, and</li><li>• ending at the end of 30 June 2015.</li></ul>
<b>Carbon tax removal substantiation notice</b>	<p>A notice issued by the ACCC pursuant to section 60FA of the CCA, to an electricity retailer or producer, a natural gas retailer or bulk SGG importer that sells to customers, requiring the entity to give to the ACCC a written statement that explains:</p> <ul style="list-style-type: none"><li>• how the carbon tax repeal has affected, or is affecting, the entity's regulated supply input costs, and</li><li>• how reductions in the entity's regulated supply input costs that are directly or indirectly attributable to the carbon tax repeal are reflected in the prices charged by the entity for regulated supplies of electricity, natural gas or synthetic greenhouse gas.</li></ul> <p>The entity must provide the ACCC with information that substantiates the explanation set out in the statement, and/or produce to the ACCC documents that substantiate the explanation set out in the statement.</p>
<b>Carbon tax removal substantiation statement</b>	<p>A written statement pursuant to section 60FD of the CCA from an electricity retailer or producer, natural gas retailer or bulk SGG importer that sells to customers, provided to the ACCC that sets out:</p> <ul style="list-style-type: none"><li>• the entity's average annual percentage price basis, or an average annual dollar price basis of the entity's cost savings that have been, are, or will be, directly or indirectly attributable to the carbon tax repeal, and</li><li>• that have been, are being, or will be, passed on to each class of its customers during the financial year that began on 1 July 2014.</li></ul>

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<b>CCA</b>	<i>Competition and Consumer Act 2010 (Cth).</i>
<b>Direct carbon tax cost</b>	An entity's financial liability under the carbon tax arising from emissions produced by that entity.
<b>Equivalent carbon price levy</b>	Synthetic greenhouse gases listed under the Kyoto Protocol were subject to an equivalent carbon price levy (the levy), applied through the <i>Ozone Protection and Synthetic Greenhouse Gas Management Act 1989</i> . The levy was based on the carbon price and the global warming potential of each gas relative to carbon dioxide.
<b>IPART</b>	The Independent Pricing and Regulatory Tribunal is the independent regulator that determines the maximum prices that can be charged for certain retail energy, water and transport services in New South Wales, and also determines New South Wales local government rates.
<b>IPART rate peg</b>	The Independent Pricing and Regulatory Tribunal (IPART) sets a rate peg each financial year which determines the maximum allowable percentage increase in general income (mainly rates income) for New South Wales' 152 local councils.
<b>Indirect carbon tax cost</b>	<p>An entity's cost which arises wholly or in part from the carbon tax, but not as a result of emissions produced by the entity.</p> <p>Indirect carbon tax costs may include:</p> <ul style="list-style-type: none"> <li>• increased input costs due to a third party passing through its own increased costs under the carbon tax, such as electricity</li> <li>• costs incurred by the entity and paid to a third party (such as an accountant) to ensure the entity's compliance with the carbon tax</li> <li>• the entity's internal administrative costs for ensuring its compliance with the carbon tax.</li> </ul>
<b>Jobs and Competitiveness Program<sup>33</sup></b>	An Australian Government funded program to provide assistance to emission intensive businesses that are constrained in their capacity to pass through their carbon tax costs in global markets. The purpose is to help Australian businesses maintain competitiveness with international imports which are not subject to the carbon tax. The Jobs and Competitiveness Program (JCP) is administered by the Clean Energy Regulator. Assistance provided under the JCP is in the form of free carbon units, which businesses surrender to discharge their carbon tax costs. To be eligible to apply for assistance under the JCP, an emissions-intensive trade exposed activity must be carried on in Australia during the financial year to which the application relates. Assistance is provided on a defined activity basis, as prescribed by the <i>Clean Energy Regulations 2011</i> (which ceased to have effect when the

<sup>33</sup> See <http://www.cleanenergyregulator.gov.au/Carbon-Pricing-Mechanism/Fact-sheets-FAQs-and-guidelines/Guidelines/Documents/Guidance%20for%20Applicants.pdf> and <http://www.climatechange.gov.au/reducing-carbon/jcp>

	<i>Clean Energy Act 2011</i> was repealed).
<b>kWh</b>	Kilowatt-hour.
<b>Liable entity</b>	An entity listed on the Liable Entities Public Information Database for the 2012-13 and/or 2013-14 financial years (within the meaning of the <i>Clean Energy Act 2011</i> (Cth), which has since been repealed).
<b>Part V of the CCA</b>	Carbon tax price reduction obligation legislation contained in the CCA.
<b>Price</b>	Under section 60A of the CCA, in relation to a supply, includes: <ul style="list-style-type: none"> <li>• a charge of any description for the supply, and</li> <li>• any pecuniary or other benefit, whether direct or indirect, received or to be received by a person for or in a connection with the supply.</li> </ul>
<b>Price exploitation provisions</b>	<p>The provisions contained in Division 2 of Part V of the CCA. The price exploitation provisions prohibit suppliers of regulated goods from not passing through all of their cost savings that are directly or indirectly attributable to the carbon tax repeal (see s 60C), and provide a penalty of 250 per cent of the cost savings not passed through, in contravention of s 60C (see s 60CA).</p> <p>The price exploitation provisions also allows the ACCC to issue a notice to an entity that is considered to have engaged in price exploitation in relation to the carbon tax repeal (see s 60D), and to issue a notice to aid prevention of price exploitation in relation to the carbon tax repeal (see s 60E).</p>
<b>Price monitoring</b>	<p>Pursuant to the Direction given to the ACCC under section 95ZE of the CCA, refers to the formal monitoring of prices, costs, and profits relating to the supply of regulated goods by corporations and the supply of goods by liable entities to assess the general effect of the carbon tax scheme in Australia.</p> <p>Further, pursuant to section 60G of the CCA the ACCC may monitor prices to assess the general effect of the carbon tax repeal on prices charged by entities for supplies, in the carbon tax repeal transition period, of relevant goods.</p>
<b>Price reduction obligation</b>	Part V of the CCA that was inserted into the CCA by the <i>Clean Energy Legislation (Carbon Tax Repeal Act) 2014</i> . The carbon tax price reduction obligation legislation contains all the substantive provisions of the CCA that specifically apply to the repeal of the carbon tax.
<b>Refund period</b>	The period from 1 July 2014 to the date that a given entity removed the carbon tax component from its prices, given the retrospective application of the carbon tax repeal legislation. See definition of 'retrospective application'.
<b>Regulated goods</b>	Natural gas, electricity, SGGs and SGG equipment (s 60B of the CCA). Other goods may be specified by legislative

	instrument by the Minister pursuant to subsection 60B(2).
<b>Relevant goods</b>	Regulated goods and other goods of a kind specified in a legislative instrument by the Minister pursuant to subsection 60G(12) of the CCA.
<b>Retrospective application</b>	The carbon tax repeal legislation will affect carbon liabilities dating back to 1 July 2014, although the legislation was passed by Parliament on 17 July 2014. For this reason the carbon tax repeal legislation has been commonly referred to as having a 'retrospective application'. When the word 'retrospective' is used in this report it should be understood in its common usage rather than its technical legal usage. Retrospective in its technical legal usage refers to legislation taking effect at an earlier point of time before it was passed.
<b>SGG</b>	Synthetic greenhouse gases or commonly referred to as refrigerant gases, which are used in refrigerators and air conditioning units, means a hydrofluorocarbon, a perfluorocarbon or sulfur hexafluoride (s 7 of the <i>Ozone Protection &amp; Synthetic Greenhouse Gas Management Act 1989</i> (Cth)).
<b>SGG equipment</b>	Equipment which already contains synthetic greenhouse gas. Includes items such as refrigerators, automobiles and air conditioning units which will ordinarily contain synthetic greenhouse gases when imported.
<b>Standing offer</b>	A standing offer refers to a basic contract for electricity or natural gas. All retailers are required to have a standing offer and in some jurisdictions the standing offer tariff is regulated.
<b>Steel Transformation Plan<sup>34</sup></b>	An Australian Government funded program providing financial assistance to the Australian steel manufacturing industry. The Steel Transformation Plan (STP) is designed to assist the transition to an economically sustainable industry in a low carbon emission economy. The STP is administered by AusIndustry, a specialist program delivery division within the Department of Industry. Eligibility requirements include corporations that manufacture steel in Australia and produced at least 500,000 tonnes of crude carbon steel in Australia in both the 2009-10 and 2010-11 financial years.

<sup>34</sup> See <http://www.business.gov.au/grants-and-assistance/manufacturing/STP/Pages/default.aspx> and <http://business.grantguru.com.au/MyGrantSpace/?Section=Search&itemDetails=6799>