

Media Release

CARBON TAX COMPENSATION PLAN DEEPLY FLAWED AND UNFAIR

New South Wales generator Delta Electricity has called for an overhaul of part of the Carbon Tax legislation, believing it to be deeply flawed and unfair, as it particularly impacts black coal-fired generators, consumers and taxpayers in New South Wales.

Under the Carbon Tax Compensation plan, 99% of approximately \$5.5 billion in compensation will be paid to Victorian and South Australian privately owned high emission generators.

Delta Electricity Chief Executive, Greg Everett said the Carbon Tax Compensation plan would distort the national electricity market by making the biggest carbon emitters more financially resilient and strip billions of dollars off the value of NSW's generator assets.

Delta has asked the Federal Government to review the compensation section of the Carbon Tax legislation and come up with a more equitable system that does not commercially disadvantage lower carbon emitting generators.

Mr Everett said the proposed Carbon Tax compensation would

- Commercially disadvantage black coal-fired generators in New South Wales, Queensland, and Western Australia;
- Wipe \$100s of millions of dollars off dividends paid to the NSW Government as owners of the NSW generator assets – money which would otherwise be spent on providing government services and infrastructure;
- Discriminate against publically funded generators in NSW, Queensland and WA, and in favour of Victoria's and South Australia's privately owned high emission generators; and
- Pay inequitable compensation without the impact on carbon emissions ever having been modelled by Treasury.

“New South Wales residents get a double hit - the Carbon Tax plan will increase the cost of electricity, and there is no compensation to offset slashed dividends to Government which are used to fund services and infrastructure”, Mr Everett said.

Mr Everett said there was no scientific or economic justification for adopting a cut-off level of one tonne CO₂/MWh which is used in the Carbon Compensation plan.

“This cut-off point is arbitrary and clearly discriminatory as it marks the divide between Victorian and South Australian privately-owned high emission generators which get compensation, and other states' largely publically funded black-coal fired generators – which don't qualify for compensation.”

Mr Everett questioned why concerns about the security of supply require Victorian and South Australian generators to be paid to stay open, but not NSW or Queensland. “There seems to be some assumption that State Governments should provide this security of keeping capacity available at taxpayer cost, but the private sector should be paid to do so”.

Delta’s view is that the reliable supply of electricity underpins the operation of our society, and radical changes of being brought in without understanding the likely impacts. “The Commonwealth Treasury sponsored electricity market forecasts did not incorporate either the compensation or the \$10b Clean Energy Finance Corporation”.

Mr Everett said that with the package still to be legislated there was still time for the Federal Government to do the right thing to ensure an equitable and non-discriminatory basis for carbon compensation.

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