



Australia's Low Pollution Future Fact Sheet

Household Impacts

Real household income continues to grow strongly, although households face increased prices for emission-intensive products, such as electricity and gas. The Government is committed to helping households adjust.

Household impacts

The report shows that real household income is expected to grow strongly over coming decades in all the scenarios explored. Real disposable income per capita grows at an average annual rate of around 1.0 per cent in the policy scenarios, compared with 1.2 per cent in the reference scenario.

However, there will be impacts. Based on the Carbon Pollution Reduction Scheme scenarios, emission prices could be between \$23 and \$32 per tonne, leading to a one-off rise in the consumer price index (CPI) of between 1 and 1.5 per cent, with minimal ongoing impacts to inflation. Households are expected to spend an average of \$4-5 extra per week on electricity and \$2 extra per week on gas and other household fuels.

As outlined in the *Carbon Pollution Reduction Scheme Green Paper*, the Government is committed to helping households adjust to emission pricing, including by increasing benefit payments and other assistance to low-income households and providing assistance to middle-income households. These measures, together with the automatic indexation of benefits to reflect changes in the CPI, will help minimise household impacts.

Impacts by household types and regions

Lower-income households are likely to be slightly more affected by the introduction of an emission price than other households, as they generally spend a higher proportion of their disposable income on emission-intensive goods, and may be less able to substitute away from these goods. A single pensioner household in the lowest quintile of disposable income faces an average price rise in 2010 of 1.3 per cent, while households in the highest quintile of disposable income face an average price rise of 0.9 per cent. Again, for low- and middle-income households, this will be offset by increased government assistance.

Spending on energy varies across regions, so the impact of emission pricing would be expected to vary across regions. However, the Government's commitment to cut fuel taxes to offset the impact of the emission price on fuel will ameliorate some of the differences between regions. The estimated average price impacts for households located outside a capital city are broadly the same as those for households located in a capital city, with only slightly differing impacts in the highest income quintiles (1.0 per cent compared to 0.9 per cent).