
From: Erwin Jackson
Sent: Thursday, 11 August 2011 11:51 AM
To: 'Kenny, Chris'
Subject: RE: Vivid report

Chris,

Apologies for the delay.

I have included responses to your questions below.

If you need any more help just let me know.

Regards,

Erwin

Erwin Jackson

Deputy CEO

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Given what was contained in the report as published I wonder if you could please tell me:

I am assuming that the IPA gave you all the documents obtained under FOI including those which show that the final China number was substantially lower than the original estimates?

I would also make the general point that any rigorous assessment involves robust review processes and initial results change as a result. This is good practice. The Department was only one input, as the report was reviewed by energy experts and economists from many different countries. As with normal academic practice, and outlined in the acknowledgments of the report, the authors take final responsibility for any conclusions.

This report was also the first of its kind internationally in attempting to compare the actions being taken by individual countries taking into account direct and indirect carbon pricing. Vivid Economics and The Climate Institute were at pains to ensure all the assumptions and data used was transparently reported to allow other economists to assess the analysis and improve upon it.

Since that time Vivid has also engaged in assessing complementary approaches to this kind of analysis – such as the weighting by generation vs emission issue, outlined below. They have also compared their approach to complementary approaches developed by others such as the Productivity Commission. See [here](#).

Some expert feedback received during the review process argued that Vivid Economics had understated efforts by China because their approach did not include policies operating by government fiat (such as policies to encourage hydro-electric and nuclear power) or their national renewable energy targets (see pages p.30-40 of Vivid's report).

On a number of occasions Vivid contacted The Australian to have opeds placed following stories that ran in the newspaper and an oped from Gary Johns from the IPA that misrepresented their work. These were not responded to.

Did you pass on this critique/correction to Vivid? Did you discuss this issue with the department or the Minister or his office?

Yes, the critique was passed on to Vivid Economics and this was followed up with an academic discussion between the Department and Vivid on the relative merits of the different approaches. It was not discussed with the Minister or the Minister's office. We did brief the Government, Coalition and cross benches on the results of the report after it was finalised and before it was released publically.

What other action did you take with this information?

As with any rigorous review process, the feedback from all experts was considered and addressed in the final report or in subsequent notes that Vivid Economics produced on the technical issues surrounding how to compare the action that other nations are taking to control pollution and drive clean energy investments.

These are available [here](#) and [here](#).

Why was the decision taken to proceed with the higher figure?

The final numbers in the report were arrived at after a number of reviews from a dozen experts, of whom the Department was one. The final number for example is substantially lower than the first estimate based on initial feedback from experts here and internationally. Vivid's view was that its approach more accurately reflected the cost being imposed on generators by China's policies.

The issue raised by DCCEE is effectively one of whether the impact of the policy should be weighted by the emissions reductions achieved by the policy or by the generation covered by the policy. Taking the former approach results in the \$1.28 figure, while the latter approach leads to the \$7.58 figure.

Broadly speaking, weighting by generation gives a picture of the costs imposed on electricity generators, and weighting by abatement gives a picture of the average cost being paid for each tonne of abatement. The Vivid report used generation as the weighting method because they were interested in the costs imposed on generators, but did provide all of the data to enable alternative weighting methods to be implemented if those were of interest.

The approach taken in the report for the GGAS and the LSS are entirely consistent – both are weighted by the generation covered by the policy. If emissions reductions were used as the weights instead, then different numbers would be obtained for all policies and countries – sometimes higher and sometimes lower. This can be seen from the Productivity Commission report which used the abatement-weighting method: the estimates for some countries (e.g. Japan and South Korea) are much higher using that method, while some for other countries (e.g. China) are lower.

Who took that decision and on what grounds? Again, was the Minister or his office consulted or alerted?

See above. Neither the Minister nor his office were not consulted or alerted.

Do you stand by the inconsistent treatment of the LSS scheme and the NSW GHG scheme?

(See above)

The treatment in the report is not inconsistent and we stand by the methodology used.

Comparing the actions that all major economies undertake is technically difficult and different methodological approaches will evolve through time as more work is done in this area. Vivid has separately addressed some of these issues in subsequent technical papers. In this context, The Climate Institute is pleased the Productivity Commission has followed up on Vivid's ground-breaking research and the PC has now been given an ongoing role by the Federal Government in assessing and reporting on the action other countries are already taking in limiting pollution and driving clean energy investment.

Why did you not respond to this email with another email?

See above. I felt it was appropriate for the Department and Vivid Economics to discuss and resolve this issue directly.

From: Kenny, Chris [<mailto:kennyck@theaustralian.com.au>]
Sent: Wednesday, 10 August 2011 6:15 PM
To: Erwin Jackson
Subject: Vivid report

Mr Jackson,

My name is Chris Kenny and I am a columnist/journalist with The Australian.

I have been looking at some documents obtained via FoI by the IPA.

They relate to the Vivid Economics report which, as I understand, was funded by government, via your organisation, and which the government had rights of input and review over, again, through CI.

In particular I am interested in an email from DCCEE (don't have the name of the officer) to yourself at the Climate Institute on October 6 2010 at 2.39pm details some discussion about the report.

Critically this email explains in very explicit terms how the treatment of China's LSS policy, in a different way to the NSW GGAS scheme, dramatically inflates the price per tonne for China (from \$1.28 to \$7.58). It also provides a second calculation – cost of scheme versus total emissions - which arrives at a similar figure.

Given what was contained in the report as published I wonder if you could please tell me:

Did you pass on this critique/correction to Vivid? Did you discuss this issue with the department or the Minister or his office?

What other action did you take with this information?

Why was the decision taken to proceed with the higher figure?

Who took that decision and on what grounds? Again, was the Minister or his office consulted or alerted?

Do you stand by the inconsistent treatment of the LSS scheme and the NSW GHG scheme?

Why did you not respond to this email with another email?

I am happy to discuss and would appreciate a response tomorrow morning as we intend to proceed with the story ASAP.

Thanks CK

Chris Kenny
Columnist
The Australian

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From: Erwin Jackson [<mailto:ejackson@climateinstitute.org.au>]
Sent: Thursday, 11 August 2011 12:10 PM
To: Kenny, Chris
Subject: RE: Vivid report

Chris apologies. I picked up a typo the relevant section should have read:

Who took that decision and on what grounds? Again, was the Minister or his office consulted or alerted?

See above. Neither the Minister nor his office were consulted or alerted.

Best regards,

Erwin

From: Kenny, Chris [mailto:kennyck@theaustralian.com.au]
Sent: Thursday, 11 August 2011 12:27 PM
To: Erwin Jackson
Subject: RE: Vivid report

Erwin,

Your answer regarding a consistency of approach does not seem correct.

In the report, the NSW GHG price is weighed against emissions rather than generation....where as LLS is weighed against generation....that is the key point is it not?

Thanks CK

Chris Kenny
Columnist
The Australian

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Email: kennyck@theaustralian.com.au web: www.theaustralian.com.au

From: Kenny, Chris [mailto:kennyck@theaustralian.com.au]
Sent: Thursday, 11 August 2011 12:38 PM
To: Erwin Jackson
Subject: RE: Vivid report

Erwin,

Also, of course I know nothing about any Oped pieces supplied but presumably they were sent to the Oped editor, Rebecca Weisser.

Cheers CK

Chris Kenny
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Email: kennyck@theaustralian.com.au web: www.theaustralian.com.au

From: Erwin Jackson
Sent: Thursday, 11 August 2011 4:54 PM
To: Kenny, Chris
Subject: RE: Vivid report

Thanks Chris,

Apologies for the delay I have been caught up.

Yes, the opeds were sent to the opinion editor.

On your previous question:

In the analysis both GGAS and LSS were assessed based on share of generation. As Vivid Economics and the Productivity Commission highlighted comparing different policies across countries is challenging. In part this is because some policies act on generation – like renewable energy targets and the LSS – and some act on emissions – like direct carbon prices. In order to compare these they need to both be converted into the same units – in the Vivid Economics report they chose generation.

Because GGAS is baseline and credit system, it acts only on the emissions reductions you achieve and not all of the generation in the mix. Generators in NSW do not pay the GGAS on all of their generation, they only have to buy certificates up to their stated target. It would, therefore, be incorrect to weight the GGAS by all generation in NSW. This is in contrast to the EU ETS which is not baseline and credit and is paid by all generation.

In short, under GGAS you do not pay on all your generation, you only pay it on your emissions reductions. I admit it is not super clear in the report but on p.19 you can see how the GGAS number was calculated. The GGAS policy is weighted by the share of generation it applies to by using the emissions it applied to as a proxy. These means that the approach taken is consistent with the other calculations in the report in LSS.

Note also that some GGAS obligations are covered via the RET, and so to avoid double counting these were not included in the GGAS calculations.

Regards,

Erwin