



MAJOR ELECTRICITY USERS' GROUP

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Media release by the Major Electricity Users' Group (MEUG)

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NZIER report prepared for MEUG "Impact on Australian futures prices of ETS delay announcement"

"A report by the New Zealand Institute of Economic Research (NZIER) prepared for the Major Electricity Users' Group (MEUG) "Impact on Australian futures prices of ETS delay announcement" supports our view that following the announcements by the Rudd Government on 27th April that there would not be an Australian ETS until at least 2013, Australian consumers can expect lower power prices," said Ralph Matthes, Executive Director of MEUG.

"The NZIER analysis compared wholesale market futures prices for 2012 before and after the announcement and found a statistically significant variation. For example in NSW, the largest state, wholesale electricity futures decreased 6.1% the day after the announcement and 1 ½ weeks later were still 4.6% below pre-announcement traded price levels. The largest decrease was in Queensland where the day after price decrease was 13.4% and 1 ½ weeks later was 13.8%.

"When changes to moderate the New Zealand ETS were enacted in December 2009, the assumption was Australia would still proceed with an ETS in 2010 or 2011. Now that Australia is not proceeding with an ETS, New Zealand households are worse-off relative to Australian households and New Zealand businesses have a widening competitive disadvantage when compared with Australian businesses. The analysis by NZIER of changes in Australian wholesale futures prices confirms the difference in expected prices will be significant" concluded Mr Matthes.

Note (1): For comments on the analysis, contact Dr Johannah Branson, NZIER, telephone 04 470 1812.

Note (2): Every 1% change in New Zealand spot prices equals ≈\$34 million per annum change in wholesale costs (assumes 40 TWh/y demand and representative spot price of NZD85/MWh). The Australian electricity market is over 10 times as large as New Zealand's market and therefore the dollar benefit to Australian consumers of lower prices will be proportionally larger.

Note (3): Australia has various ad hoc climate change response interventions that affect their electricity market. MEUG is not aware of any analysis by officials comparing the impact on consumers of the Australian ad hoc interventions with the impacts of the NZ ETS.

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