



**Parliament of Australia**  
**Parliamentary Budget Office**

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**Parliamentary Budget Officer**

Senator Richard Di Natale  
Leader of the Australian Greens  
Parliament House  
CANBERRA ACT 2600

Dear Senator Di Natale

Please find attached a response to your costing request, *Save ARENA from Labor and Liberal Cuts* (letter of 24 June 2016).

The response to this request will be released on the PBO website ([www.pbo.gov.au](http://www.pbo.gov.au)).

If you have any queries about this costing, please contact Colin Brown on (02) 6277 9530.

Yours sincerely

Phil Bowen

25 June 2016



## Policy costing—during the caretaker period for the 2016 general election

Name of proposal:	Save ARENA from Labor and Liberal cuts
Summary of proposal:	<p>The proposal would:</p> <ul style="list-style-type: none"><li>• restore the Australian Renewable Energy Agency's (ARENA's) appropriation provided in the 2016-17 financial year to the level it was at prior to changes from Schedule 5 of the <i>Clean Energy Legislation (Carbon Tax Repeal) Act 2014</i>, namely \$299,550,000. The existing appropriation schedule beyond 2016-17 would remain unchanged.</li><li>• allow ARENA to enter into new spending commitments.</li></ul> <p>This proposal would commence on 1 September 2016.</p>
Person/party requesting costing:	Senator Richard Di Natale, Australian Greens
Date of public release of policy:	17 May 2016
Date costing request received:	24 June 2016
Date costing completed	25 June 2016
Expiry date for the costing:	Release of the next economic and fiscal outlook report

### Costing overview

This proposal has two components: an increase in the 2016-17 appropriation for ARENA; and a removal of the current restriction on ARENA entering into new contractual commitments.

The 2016-17 Budget measure, *Clean and Renewable Energy Innovation – Clean Energy Finance Corporation and the Australian Renewable Energy Agency* reversed the *Australian Renewable Energy Agency (Repeal) Bill 2014*. It did not, however, enable ARENA to undertake new spending commitments.

Increasing the 2016-17 appropriation does not of itself have a financial impact. The budgetary impact only occurs when ARENA undertakes expenditure resulting in the appropriated funds leaving the general government sector. A comparison of the current and proposed ARENA appropriation and expenditure profiles is provided at [Attachment A](#).

This proposal would be expected to decrease the fiscal and underlying cash balances by \$1,029.3 million over the 2016-17 Budget forward estimates period. This reflects an increase in administered expenditure of \$1,012.7 and in departmental expenditure of \$16.6 million.

This proposal would have financial implications beyond the 2016-17 Budget forward estimates period. The financial implications to 2022-23, the time at which the Parliamentary Budget Office (PBO) estimates ARENA would exhaust its legislated appropriation under this proposal, is provided at [Attachment B](#).

This costing is considered to be of medium reliability. While information regarding prescribed changes in ARENA’s appropriation is known, estimates of future expenditure are less certain.

**Table 1: Financial implications (outturn prices)<sup>(a)</sup>**

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-379.5	-258.5	-391.2	-1,029.3
Underlying cash balance	-	-379.5	-258.5	-391.2	-1,029.3

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.

- Indicates nil.

## Key assumptions

In costing this proposal it has been assumed that:

- increases in appropriation available in 2016-17 would have no impact on commitments in that year. This reflects advice from the Department of the Environment regarding the considerable timeframes associated with developing and committing to particular projects.
- ARENA would also undertake its role to jointly manage the Clean Energy Innovation Fund (as outlined in 2016-17 Budget measure, *Clean and Renewable Energy Innovation – Clean Energy Finance Corporation and the Australian Renewable Energy Agency*).

## Methodology

Consistent with the policy specification, the 2016-17 appropriation for ARENA was increased from the level outlined in Schedule 5 of the *Clean Energy Legislation (Carbon Tax Repeal) Act 2014* to the level outlined in the *Australian Renewable Energy Agency Act 2011*.

Departmental expenditure was increased in line with the increase in administered expenditure.

## Data sources

- The Department of the Environment provided data on projected ARENA investments and on the available balance from rolled over unused appropriation for the 2016-17 Budget forward estimates period.
- The Department of Finance provided indexation and efficiency dividend parameters.
- The *Australian Renewable Energy Act 2011*,  
<https://www.comlaw.gov.au/Details/C2012C00629>.
- The *Clean Energy Legislation (Carbon Tax Repeal) Act 2014*,  
<https://www.comlaw.gov.au/Details/C2014A00083>.

## Attachment A: ARENA appropriation and expenditure profiles

**Table A1: ARENA appropriation and expenditure profiles – baseline, proposed policy and deviation<sup>(a)</sup>**

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	Total to 2022–23
<b>Baseline</b>									
Opening balance of appropriation <sup>(b)</sup>	193.4	52.9	436.0	597.0	<b>N/A</b>	1,038.6	1,154.4	1,274.6	<b>N/A</b>
New appropriation <sup>(b)</sup>	57.0	499.9	237.0	468.3	<b>1,262.2</b>	135.0	135.0	-	<b>1,532.2</b>
Expenditure	-197.5	-116.8	-76.0	-26.7	<b>-417.0</b>	-19.2	-14.8	-	<b>-451.0</b>
Closing balance of appropriation <sup>(b)</sup>	52.9	436.0	597.0	1,038.6	<b>N/A</b>	1,154.4	1,274.6	1,274.6	<b>N/A</b>
<b>Proposed policy</b>									
Opening balance of appropriation <sup>(b)</sup>	193.4	295.5	299.1	201.6	<b>N/A</b>	251.9	145.5	105.5	<b>N/A</b>
New appropriation <sup>(b)</sup>	299.6	499.9	237.0	468.3	<b>1,504.8</b>	135.0	135.0	-	<b>1,774.8</b>
Expenditure	-197.5	-496.3	-334.5	-418.0	<b>-1,446.3</b>	-241.4	-175.0	-105.5	<b>-1,968.2</b>
Closing balance of appropriation <sup>(b)</sup>	295.5	299.1	201.6	251.9	<b>N/A</b>	145.5	105.5	-	<b>N/A</b>
<b>Deviation</b>									
Expenditure <sup>(c)</sup>	-	-379.5	-258.5	-391.2	<b>-1,029.3</b>	-222.3	-160.3	-105.5	<b>-1,517.3</b>

(a) Figures may not sum to totals due to rounding.

(b) Figures related to the level of or changes to the levels of appropriation relate to the stock of funding available to ARENA and do not reflect changes to the fiscal or underlying cash balances.

(c) A negative figure for expenditure indicates an increase in expenses and therefore a decrease in the fiscal and underlying cash balances.

- Indicates nil.

## Attachment B: Save ARENA from Labor and Liberal cuts—financial implications

**Table B1: Save ARENA from Labor and Liberal cuts—Financial implications (outturn prices)<sup>(a)(b)</sup>**

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	Total to 2026–27
<b>Impact on fiscal and underlying cash balances</b>									
Administered	-	-372.9	-255.7	-384.1	<b>-1,012.7</b>	-219.9	-159.7	-102.6	<b>-1,494.9</b>
Departmental	-	-6.6	-2.8	-7.1	<b>-16.6</b>	-2.4	-0.6	-2.9	<b>-22.4</b>
<b>Total</b>	-	<b>-379.5</b>	<b>-258.5</b>	<b>-391.2</b>	<b>-1,029.3</b>	<b>-222.3</b>	<b>-160.3</b>	<b>-105.5</b>	<b>-1,517.3</b>

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual or cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.