

Document 12
SECRETARY MEETING BRIEF

DATE/TIME/VENUE: 27 November 2012, 12.00-12.30 pm

MEETING WITH: Simon Bennison (AMEC)
Graham Short (AMEC)

ACCOMPANIED BY: Rob Heferen, Jan Harris

ORGANISATION: Association of Mining and Exploration
Companies (AMEC)

Visitors' issues

- AMEC is concerned about the prospect of the mining industry losing entitlements to Fuel Tax Credits (FTCs), which offset fuel tax on fuel used off-road by the industry. In 2010-11, total FTCs paid to industry amounted to \$5.2 billion with mining receiving \$2 billion.
- The Greens have a policy of removing mining industry entitlements to FTCs.
- Another AMEC concern may be the application of the carbon charge to fuel by reducing FTCs. They have previously argued this will significantly affect small exploration companies, which have no income to offset the tax.

Treasury's position

- Changing the FTC scheme is a matter of policy and therefore one for the Government.
- We are aware of the speculation in the lead up to the 2012-13 Budget and beyond over changes to the FTC scheme.
 - Again it is not Treasury's role to comment.

If raised:

- We note that on 20 November 2012 the Greens leader released a Treasury costing of their proposal to remove FTC entitlements from the mining industry, which would raise \$5.12 billion in cash balance terms over the period from 1 January 2013 to the end of 2015-16.
 - This costing was undertaken by Treasury under a formal arrangement as set out in the 2010 Agreement between the Australian Greens and the ALP to enable the formation of government.
 - It is not Government policy.

Contacts: (Indirect, Philanthropy
and Resource Tax Division, Xtn)

Date: 21 November 2012

ADDITIONAL INFORMATION

Fuel Tax Credits

- Under the current FTC scheme (introduced in 2006) all businesses are generally eligible for a credit for excise paid (38.143 cents per litre (cpl)) on fuel used off-road (including in plant and equipment) and fuel used on-road in heavy vehicles (gross vehicle mass of more than 4.5 tonnes).
 - Previous schemes provided credits/exemptions only to particular industries and only for off-road use.
 - The mining industry has been eligible for credits/exemptions since the mid-1950s.
- Note that it has not been called the Diesel Fuel Rebate Scheme since 2000 but is often still referred to as such.

Clean Energy Future

- Under the Clean Energy Future package an effective carbon price is imposed on the use of transport fuels by some businesses through reduced FTC entitlements. This includes the mining industry.
 - For example, in 2012-13 the FTC for diesel used by the mining industry off-road is reduced by 6.21cpl to 31.933cpl.
 - : Reductions vary depending on the emissions of a particular fuel and will move with the actual carbon price
- Households, on-road business use of light vehicles and the agriculture, forestry and fishery industries do not pay a carbon price on the fuel they use.
 - Currently, heavy on-road vehicles do not pay a carbon price but the Government announced that it intends to apply a carbon price on heavy on-road vehicles from 1 July 2014. This will impact the mining industry.

Greens campaign to remove mining industry entitlements to FTCs

- The Greens campaign relies heavily on a 2011 OECD report identifying Australian FTCs as a fossil fuel subsidy. Also the FTC scheme is claimed to contradict commitments made in 2009 by G 20 and APEC leaders to phase out inefficient fossil fuel subsidies.
- The commitment in the Pittsburgh 2009 G20 Leaders' Statement was: *To phase out and rationalize over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest. Inefficient fossil fuel subsidies encourage wasteful consumption, reduce our energy security, impede investment in clean energy sources and undermine efforts to deal with the threat of climate change.*
 - Australia's response to the G20 was that it does not have any measures that fall within the scope of the commitment, that is, inefficient fossil fuel subsidies that encourage wasteful consumption.

- As requested by the Prime Minister and in accord with the 2010 Agreement between the Greens and the ALP, Treasury has costed the Greens proposal for removal of FTC entitlements from the mining industry.
 - Senator Milne released the Treasury costing as an attachment to a press release on 20 November 2012.
 - Is it worthwhile to note why the Greens are proposing removing FTC only for the mining industry and not from business altogether?

AFTS Review and fuel taxes

The AFTS Report recommended (i) replacing all fuel taxes with more broadly-based taxes; (ii) improving road funding by using congestion charging; (iii) applying mass-distance-location pricing for heavy vehicles; and (iv) applying capital charges to heavy road transport where there is transport mode competition with rail.