

Visit by NZ Prime Minister to Australia - Fossil Fuel Subsidies

1. Consistent with the G20 Leaders' commitment at Pittsburgh, Australia supports efforts to rationalise and phase out inefficient fossil fuel subsidies that encourage wasteful consumption.
2. Australia has met its obligation under the G20 commitment.

Background

- Section 33
- In 2009, Leaders of both G20 countries and the APEC forum committed to rationalise and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption. Australia provided a submission to G20 in June 2010, concluding that we had no measures that fell within the scope of G20 commitment. Six other countries (Japan, France, Brazil, UK, Saudi Arabia and South Africa) also concluded they had no measures within the G20 scope.
- At the recent APEC meeting in Montana, Ministers Responsible for Trade reaffirmed the APEC Leaders' commitment from 2009 to address inefficient fossil fuel subsidies. To advance this commitment, officials have been instructed to establish a work program on this issue in APEC, including leverage capacity-building and the development of a voluntary reporting mechanism, consistent with approaches in the G20. The APEC Energy Working Group has initiated discussion on possible structure for such a mechanism and recommendations will be provided to Senior Officials and Leaders later this year.
- Fringe benefit tax arrangement for vehicles has long been criticised by environmentalists as a fuel subsidy. The Australian Government announced in its 2011-12 Budget a reform of current statutory formula by replacing progressive rates with a flat 20 per cent rate. The changes will potentially remove the tax incentive for people to travel longer distances, using more fuels, in order to obtain a larger tax concession. It underlines Australia's continuing commitment to encourage more environmentally friendly travel.