



**AUSTRALIAN
CONSERVATION
FOUNDATION**

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1st March 2011

The Hon Wayne Swan MP
Treasurer
P.O. Box 6022
House of Representatives
Parliament House
Canberra ACT 2600

Dear Wayne,

Funding for marine protection and the opportunity to finance from reform of subsidies provided to oil and gas companies.

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One of the ways that this allocation could be financed, consistent with the need to reform the effective subsidies provided to fossil fuel companies, is to reform the statutory caps on the effective life of certain depreciating assets used in the oil and gas industries.

This reform was included in the short list of measures considered by the Government for the G20 Energy Experts Group on 12 April 2010 (refer Treasury Executive Minute attached obtained under Freedom of Information, copy attached). I note that at the G20 meeting in 2010 Canada moved to reform a similar measure—the accelerated capital cost allowances for oil sands assets.



ACF understands that this measure, as it applies to oil and gas industry assets, overrides the normal rulings by the Commissioner of Taxation on the normal effective life of assets. It is a benefit unavailable to most businesses in Australia including those with renewable energy assets. The argument made in Australia's report on fossil fuel subsidies to the G20 meeting, that this is not a subsidy because it is tax expenditure measure that applies to other sectors as well as to the oil and gas industries, is inconsistent with other reform processes undertaken by the government to better target industry assistance measures.

With resources companies making record profits, the continuation of this taxpayer subsidy for offshore platforms and other major oil and gas assets cannot be justified on the grounds of good policy, nor fairness to other business sectors and taxpayers in general. And this is before consideration of the enormous public and environmental costs, particularly to the marine environment, that come from accidents such as the 2009 Montara Wellhead Platform disaster in the Timor Sea.

ACF recognises that the Government has inherited a host of fossil fuel subsidies introduced over many years for various narrow or unclear policy purposes. We also acknowledge that the Government has moved to reform some of these, such as the tax treatment of condensate in 2008. ACF has warmly and publicly welcomed these reforms.

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I would welcome the opportunity to discuss this further with you.

Yours sincerely,
Section 47F

Chief Executive Officer

Encl.