

## AFR ARTICLE: G20 COMMITMENT ON FOSSIL FUEL SUBSIDIES

### Top lines

- Australia has met its obligations under the G20 commitment to remove inefficient fossil fuel subsidies that cause wasteful consumption.
- We took a considered and thorough approach to developing our response and concluded we had no measures related to the consumption of fossil fuels that fall within the scope of the G20 commitment. Six other G20 countries also concluded they had no measures within scope.
- Direct Australian Government budgetary support for fossil fuel production is limited to measures supporting the production of clean energy, particularly in relation to carbon pollution reduction. These measures are out of scope of the G20 commitment.

### Key facts and figures

- Japan, France, Brazil, UK, Saudi Arabia and South Africa concluded they had no measures within scope of the G20 commitment.
- Under an FOI request, Greenpeace has received Treasury's advice to Government on the formation of Australia's response to the G20 commitment. An AFR article of 28 February refers to the documents released under the FOI request and identifies specific tax measures that were considered, including FBT arrangements for vehicles.
- The most recent Productivity Commission Trade and Assistance Review found that the effective rate of assistance provided to the mining sector was negligible.

### Government policies and election commitments

- At the September 2009 G20 Pittsburgh Leaders' commitment, Leaders committed to remove inefficient fossil fuel subsidies which cause wasteful consumption. The commitment did not apply to measures targeted at the poor or supporting clean energy.

### Policy position

- Fuel Tax Credits are not a subsidy for fuel use, but a mechanism to reduce or remove the incidence of excise or duty levied on the fuel used by businesses off road or in heavy on-road vehicles. The incidence of fuel tax is intended to fall on fuel use in private vehicles and in light on-road vehicles used by business.
  - Changes will be made to the Fuel Tax Credit system as part of the Government's *Clean Energy Future* policy. An effective carbon price will be imposed on some businesses through reduced fuel tax credit entitlements.

Fuel tax credits will not be reduced for the agriculture, forestry and fishery industries.

- There is no Fuel Tax Credit for aviation fuel as aviation fuel excise and customs duty is collected as a levy to cover the funding of the Civil Aviation Safety Authority. As part of the *Clean Energy Future* policy, domestic aviation fuel excise will be increased by an amount equivalent to the carbon price on an annual basis over the fixed price period.
- Australia's Future Tax System Review made a number of recommendations on tax reform. The Government has released a discussion paper which outlines a range of ideas that were raised in the Review that are likely to be discussed at the upcoming Tax Forum. The discussion paper includes a section on environmental and social taxes.
- The Australian Government announced in its 2011-12 Budget a reform of the current statutory formula for valuing car fringe benefits by replacing current progressive rates with a flat rate of 20 per cent (over a four year period). The changes will lead to an estimated gain to revenue of \$970 million over the forward estimates.
- The Government also has:
  - introduced legislation for the taxation of gaseous fuels, which will bring in \$518.5 million over four years. This legislation received royal assent on 29 June 2011; and
  - capped annual claims under the Liquefied Petroleum Gas Vehicle Scheme at 25,000 claims to help fund rebuilding in flood affected areas. This will provide savings of \$96 million over three years.

## Opposition policy

- Senator Milne has been critical of Australia's response to the G20 commitment. She has identified the fuel subsidies such as the fuel tax credit arrangements for miners, tax incentives for exploration, accelerated depreciation and the FBT arrangements for vehicles as measures which should have been identified as subsidies in our response to the G20. Senator Brown has recently called for tax breaks to be phased out, particularly the diesel fuel rebate for miners.
- Senator Eggleston, at the Senate Estimates hearing held on 31 May 2011, raised questions about Australia's commitment to eliminating fossil fuel subsidies at the G20. He quoted the AFR article of 28 Feb and questioned whether the Government was being open to the G20 about Australia's policies.

## Who is affected?

- 'Not applicable'

Other Departments consulted:      Other Departments consulted:  
/ 6263      / G20 Unit

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