



Minister for Climate Change and Energy Efficiency

Section 47F

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Dear **Section 47F**

Thank you for your letter of 2 September 2010 to the Prime Minister concerning climate change.

Section 22

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In relation to fossil fuel subsidies, the Australian Government submitted its response to the G20 commitment to “rationalise or eliminate inefficient fossil fuel subsidies that encourage wasteful consumption at the Toronto Summit in June. The response is publicly available on the G20 website. Notably, the G20 commitment does not apply to measures that support clean energy or are targeted at assisting the poor. Australia concluded that it does not have measures that fall within the scope of the G20 commitment.

The Australian Government direct budgetary support for fossil fuel production is limited to measures supporting the production of clean energy, particularly in relation to carbon pollution reduction. Tax concessions for fossil fuel industries are very limited in Australia.

Notably, the most recent Productivity Commission *Trade and Assistance Review* found that the effective rate of assistance provided to the mining sector was negligible.

The Australian Government is honouring the commitment by G20 Leaders to “rationalise or eliminate inefficient fossil fuel subsidies that encourage wasteful consumption, but excludes subsidies that support clean energy or are targeted at assisting the poor”. At the Toronto G20 Leaders’ Summit in June 2010, Australia advised that it does not have any measures that fall within the scope of the G20 commitment.

Section 22

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. Tax concessions for fossil fuel industries are similarly limited. Australia’s incentives (e.g. for exploration, equipment depreciation) should not be seen in isolation from the overall Australian taxation regime for the energy sector (e.g. royalties, company taxes). The most recent Productivity Commission *Trade and Assistance Review 2009* found that the effective rate of assistance provided to the mining sector was negligible.

Section 22

Yours sincerely

GREG COMBET