

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 within scope. Six other G20 countries also concluded they had no measures within scope.
- The Australian Government does not have measures related to the consumption of fossil fuels that fall within the scope of the G20 commitment.
- 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 or for other private purposes and in light on road vehicles used by business.

- There is no Fuel Tax Credit for aviation fuel as aviation fuel is not subject to excise or duty apart from a levy to cover the funding of the Civil Aviation Safety Authority.
- Australia's Future Tax System Review made a number of recommendations on tax reform (including on the FBT treatment of car benefits). The Government advised that those recommendations are not current Government policy. The Government expects that many of the recommendations of the Review will be the subject of much discussion in the coming year and has called for a mature tax debate.
- A carbon price is the most efficient way to reduce emissions and drive the transformation to a low carbon economy. Putting a price on carbon is the only economically responsible way to achieve Australia's bi-partisan emissions reduction targets.

Opposition policy

- Senator Milne has previously 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 Fringe Benefits Tax arrangements for vehicles as measures which should have been identified as subsidies in our response to the G20.

Who is affected?

- 'not applicable'