



**Australian Government**

**Department of Climate Change, Energy,  
the Environment and Water**

# **Excise Tariff Amendment (Product Stewardship for Oil) Bill 2023 and Customs Tariff Amendment (Product Stewardship for Oil) Bill 2023**

1 June 2023

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## Purpose of this submission

The Department of Climate Change, Energy, the Environment and Water welcomes the opportunity to provide this submission to the Senate Environment and Communications Legislation Committee.

This submission provides context for the Excise Tariff Amendment (Product Stewardship for Oil) Bill 2023 and Customs Tariff Amendment (Product Stewardship for Oil) Bill 2023. It summarises the key elements and intended operation of the bills.

The department would be pleased to engage further with the Committee to assist in its consideration of the bills.

## Background and Context

The Product Stewardship for Oil (PSO) scheme is a levy-benefit scheme that incentivises industry to recycle waste oil into new products, such as base oil that can be used to make car engine oil. Levies are collected through excise and customs tariffs. Benefits are paid under the *Product Stewardship (Oil) Act 2000*. The scheme currently consists of a levy of 8.5 cents per litre on the production and import of petroleum-based oils and synthetic equivalents (or 8.5 cents per kilogram for greases). This funds a tiered benefit rate paid per litre of recycled oil produced (3 to 50 cents per litre), with higher benefit rates applying to higher quality recycled oil.

The PSO scheme has been operating at an average structural deficit of \$34.5 million per year over the last four years. This is because benefit payments are exceeding levy (tariff) collections by an average \$34.5 million per year. This is due to oil re-refiners producing higher quality oils attracting greater PSO benefits, while the levies that pay for the scheme have remained static.

Increasing the scheme levy (through increasing relevant excise tariff and customs tariff rates) by 1 July 2023 will mean relevant taxation rates for all of 2023-24 will be consistent. This will minimise the administrative burden of tariff rate changes. It will also mean the new PSO levy rates will be applicable for all of 2023-24, ensuring the PSO scheme returns to fiscal neutrality from 2023-24.

## Purpose of the Bills

In December 2020 the fourth independent review of the *Product Stewardship (Oil) Act 2000* was completed by Deloitte Access Economics. The review recommended increasing the levy to address the scheme deficit. The bills will increase the PSO scheme levies from 8.5 cents per litre to 14.2 cents per litre (or per kilogram for greases), returning the scheme to fiscal neutrality and implementing this recommendation of the 2020 review.

## Outline of bills

### **Excise Tariff Amendment (Product Stewardship for Oil) Bill 2023**

The Excise Tariff Amendment (Product Stewardship for Oil) Bill 2023 will increase the excise tariff rates applicable to oils (and synthetic equivalents) covered by the PSO scheme from 8.5 cents per litre to 14.2 cents per litre (or per kilogram for greases).

### **Customs Tariff Amendment (Product Stewardship for Oil) Bill 2023**

The Customs Tariff Amendment (Product Stewardship for Oil) Bill 2023 will increase the customs tariff rates applicable to oils (and synthetic equivalents) covered by the PSO scheme from 8.5 cents per litre to 14.2 cents per litre (or per kilogram for greases).

### **Bill design and development**

As part of the fourth independent review, Deloitte consulted with oil re-refiners, peak bodies for oil vendors and re-refiners, local government associations and state environmental protection agencies. The recommendation to increase the levy to address the deficit was supported by the department's PSO Reference Group in 2021, comprising representatives from peak bodies for oil importers and producers, oil re-refiners and federal government agencies.