

The Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

6 June 2012

To whom it may concern

Firstly, thank you for the opportunity to provide a submission to the Senate Economics Legislation Committee regarding the inquiry into the Clean Energy Legislation Amendment Bill 2012 and related bills.

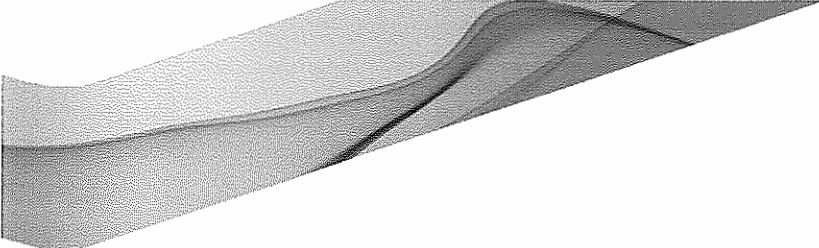
Wesfarmers Chemicals, Energy and Fertilisers operates several businesses which will be directly impacted by the carbon pricing mechanism being introduced as part of the Clean Energy Futures legislative package. Of these businesses, Wesfarmers Kleenheat Gas Pty Ltd ("Kleenheat") is the one mainly impacted by the three bills to which this Senate inquiry relates.

Kleenheat has two main business areas being:

1. the production or import, and distribution of liquefied petroleum gas ("LPG") for the domestic Autogas and home use markets; and
2. the production and/or sale of liquefied natural gas ("LNG") for the domestic market for use in remote power stations and heavy duty vehicles.

Under the legislation related to this Senate inquiry, both LPG and LNG will be subject to an effective carbon price applied through the fuel excise scheme for the first year of the carbon pricing mechanism (e.g. FY13), this treatment will then change with LPG and LNG covered by the carbon pricing mechanism from FY14. Pipeline natural gas and compressed natural gas ("CNG") will be covered by the carbon pricing mechanism from FY13.

Domestic LNG is produced from small scale LNG facilities and is offered as an alternative to pipeline natural gas, diesel and CNG for remote power stations and for heavy duty vehicles. There is some risk that the different treatment of LNG in particular, compared to CNG and pipeline natural gas, whereby an effective carbon price will be captured through the excise scheme on a monthly basis, will be an impediment to its use in FY13.



For clarity, during FY13, a facility using above a threshold quantity of CNG or pipeline natural gas will have the ability to take direct liability for its carbon emissions from its gas supplier by way of issuing an obligation transfer notice ("OTN"), not pay a direct carbon price during the financial year and then purchase and surrender carbon permits following the financial year to meet this liability. A facility using above a threshold quantity of LNG will have no option other than paying an effective carbon price each month.

Kleenheat is well progressed in preparations for the commencement of the carbon pricing mechanism and the effective carbon price applied to LPG and LNG through the excise scheme from 1 July 2012. Kleenheat, amongst others, have made significant investments in infrastructure and technology to provide LNG, a clean alternative fuel, to the domestic market and believes the differential treatment of a carbon price for it compared with pipeline natural gas and CNG may be damaging to this industry.

Regards / ,

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