

5 June 2012

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
Australia
Via email: economics.sen@aph.gov.au

Dear Sir/Madam

Clean Energy Legislation Amendment Bill 2012 and related bills

The National Farmers' Federation (NFF) was pleased that as part of the Clean Energy Futures Package, agriculture, forestry and fishery industries were not required to pay the carbon tax on their fuel use and that there is a two-year exemption for heavy vehicle on-road transport.

NFF also notes that the current package of amendments, known as the Clean Energy Legislation Amendment Bill 2012 and related bills, is designed primarily include non-transport gaseous fuels within the carbon pricing mechanism coverage. NFF also welcomes that a fuel tax credit (FTC) will be available for any the non-transport gases obtained for use within an agricultural enterprise to offset the amount of the carbon charge embedded in the price of gaseous fuels.

However, the NFF continues to be concerned that the Fuel Tax Legislation Amendment (Clean Energy) Act 2011 appropriately reflects the Government's policy intent outlined on the 10 July 2011. NFF are concerned that there will be perverse outcomes arising from the prescriptive definition of what constitutes an "agricultural activity" and whether some existing, legitimate agricultural activities have been inadvertently missed within the definitions.

For example, in the definition of what constitutes a "livestock activity" the provisions provide that on-road transport of livestock to 'an agricultural property' for the purposes of 'rearing livestock' is to be exempt from the carbon-price-equivalent fuel tax adjustment only if it is for the purposes of 'rearing livestock' or for 'agistment'.

However, an activity that may not qualify under these livestock transport-related provisions is the practice of a farmer buying mature, fully-grown sheep to graze on harvested lands, purely for the purpose of removing residual crop waste and restoring nitrogen to the soil. This activity would not appear to qualify as 'rearing' or 'agistment'. Furthermore, it is not clear whether this exemption will also extend to cover deliver of livestock to a feedlot.

NFF therefore questions whether such prescriptive definitions are required in identifying what constitutes an agricultural activity as it may lead to unintended exclusions that would seem contrary to the Government's declared policy intent.

The NFF notes that definitions provided within the draft Fuel Tax Legislation Amendment (Clean Energy) Bill 2011 have been copied directly from the former Energy Grants Credit Scheme 2003. NFF therefore encourages the Government to ensure that these provisions remain relevant in the current agricultural practices, bearing in mind that the Fuel Tax Credit scheme is not limited to the agriculture, fisheries and forestry industries.

The NFF therefore recommends that the Fuel Tax Legislation Amendment (Clean Energy) Bill 2011 provide a less prescriptive definition of what constitutes an “agricultural activity” so as not to inadvertently exclude bona fide activities.

It has been suggested that greater certainty would be provided within the legislation if the agricultural fuel exemption was less prescriptive and tied only to “fuel used in the operation of an agricultural enterprise”.

The NFF will continue to maintain an interest in this important issue and welcomes inquiries from the Senate Committee on this matter.

Yours sincerely

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Chief Executive Officer