

**Department of Resources, Energy and Tourism response to questions on notice**

**From:** Woolcott, Stephen  
**Sent:** Monday, 10 December 2012  
**To:** Committee, Economics (REPS)  
**Subject:** RE: Proof Transcript - Friday, 30 November 2012

Dear Inquiry Secretariat

Thanks for the opportunity to review the transcript correcting any grammatical or factual errors and respond to questions taken on notice. My comments/responses are as follows:

- On page 35 in response to a question from Ms O’Dwyer (see relevant text below) regarding the period of time the concession tax rates applied, I indicated in my response that “I may need to check” when the taxation of alternative fuels was proposed around 2003. I can confirm that in the 2003-2004 budget the then Government announced reform of the current fuel taxation arrangements to bring all currently untaxed fuels used in internal combustion engines into the excise and duty system.

**Ms O'DWYER:** Sorry, can I just ask: over what period of time have the concessional tax rates applied? I understand it has been quite a substantial period of time.

**Mr Woolcott:** I may need to check this, but my understanding is that the taxation of alternative fuels was proposed around 2003 and it was only in December 2011 that any taxation applied.

**Ms O'DWYER:** But concessional rates have applied?

**Mr Woolcott:** Yes, so either virtually outside the taxation excise system or concessional taxation. And producers of eligible ethanol, which is transport fuel grade ethanol, pay no effective excise—essentially they receive an ethanol production grant which is the equivalent of the excise that is paid—and producers and importers of biodiesel pay no effective excise or excise-equivalent Customs duty. In addition, the Australian Renewable Energy Agency has programs which seek to address issues in relation to research, development and pre-commercialisation of alternative fuels through programs such as the Emerging Renewables Program. My colleagues from the department of industry may want to comment on this, but there has also been a LPG vehicle scheme in place for a number of years, which provides assistance in terms of converting vehicles either new or prior to them being sold.

- Also on page 35 Mr Ciobo asked a question (see relevant text below) regarding the impact on agriculture in terms of *market distortion* and *volumes* of ethanol which were taken on notice. My response with respect to
  - *Volumes* is to draw the Committee’s attention to page 25 of the RET submission which indicates that over the period September 2002 to June 2012 over 1.5 billion litres of ethanol has been produced and supplied for use as transport fuel in Australia.
  - Following consultation with DAFF, the response with respect to *Agricultural market distortion* is that the Australian Government recognises that demand for biofuels, including fuel ethanol and biodiesel, is one of the many factors that may affect competition for crops, food security and food prices. However, given the small scale of the Australian biofuel industry and the fact that a significant amount of biofuels production in Australia is derived from waste

products, the Government considers that current biofuels production in Australia will not have any significant impact on food availability or price.

**Mr CIOBO:** Straight grain. I am interested to know what sort of biogas we are looking at. Successive governments, to be fair, have maintained this policy for some time. Given that part of it is rooted in energy security—at least that is ostensibly what it is held out to be—I am interested in knowing what the impact is in terms of market distortion, and what sort of volumes we are talking about. I am sure the department of agriculture has some numbers around this. If you were able to possibly assist with coordinating that and supplying the information to the committee we would be grateful.

**Mr Morling:** Certainly we will come back to you on that. I think data and volume should be okay. With respect to the impact on agriculture we would have to ask our colleagues.

**Mr CIOBO:** I appreciate that.

**CHAIR:** Are there any other comments in that area?

If further clarification is required please feel free to contact me.

Regards

**Stephen Woolcott**

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