Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

4 – 6 June 2013

Question: BET 303-304

Topic: Coal and Gas

Written: 17 June 2013

Senator MILNE asked:

303. How much of the fuel tax credits does Treasury expect to be refunded to the coal and gas industries? (Given that fuel tax is not hypothecated to spending on roads) what is the policy rationale for these industries not paying as much for fuel as do ordinary households?

304. A recent study by Carbon Tracker and the Grantham Institute concluded that 60-80 per cent of current coal, oil and gas reserves will be unburnable if the world is to avoid global warming of over 2 degrees. Similar statements have been made by the International Energy Agency and the Climate Commission.

    a. If much of the current coal reserves will become wasted assets and stranded capital, does it make sense to encourage further exploration and build more infrastructure for the coal industry?

    b. Would developing CSG just mean even more existing coal mines need to close?

Answer:

303. At table 12.1 of *Budget Paper No. 1 2013-14* the estimated expenditure on fuel tax credits in 2013-14 is $5,871 million. Separate industry estimates are not published.

The Australian Taxation Office's *Taxation Statistics 2010-11*, published in April 2013, reports the following fuel tax credit payments for these industries in 2011-12:

- Coal Mining $ 859,082,641
- Oil and gas extraction $ 61,695,419.

The fuel tax credits scheme generally operates to provide eligible businesses with credits for the fuel tax included in the price of fuel used in business activities, thereby removing or reducing the incidence of fuel tax from business inputs. This approach has been adopted so that excise and customs duty collected from manufacturers and importers of fuel is a tax on final consumption of fuel rather than a tax on business inputs. Such an approach avoids distorting business behaviour and investment decisions, which would occur if business inputs were taxed.

304. Treasury has done no analysis on this specific issue.