

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates – 25–26 February 2009

Question: aet 52

Topic: Caltex – Price of Petrol

Hansard Page: E74-75 (25 February 2009)

Senator BOSWELL asked:

Senator BOSWELL—There was a key opening statement made by Caltex to a recent hearing of the Senate Select Committee on Fuel and Energy and I am going to take you across it. It states:

We calculate that by 2017 emissions from petrol will be the same as without the CPRS, yet the oil industry will have to purchase \$8 billion in permits and charge them back to the customers. That's final churn for no purpose; however, it will impose a significant financial risk on Caltex because of the need to purchase these permits at the prices in the CPRS. Purchasing about 40 million tonnes of customer permits would cost \$0.09 billion to \$1.6 billion annually. In contrast, Caltex unaudited profit for 2008 was \$185 million.

They raise serious concerns. Can I have your response? Are they right? What is the government doing about the problem?

Ms Quinn—Can you please encapsulate the question? Is it right that there is going to be a price of carbon on petrol?

Senator BOSWELL—Would you like me to read it out again?

Ms Quinn—I am not sure about the precise question.

Senator BOSWELL—There is a statement here that says that Caltex will be up for \$0.09 billion to \$1.6 billion annually and its unaudited profit at the moment is \$185 million. They raise serious concerns and want to know what the government will do about it and what will happen to the price of petrol. Could you give us a response?

Senator Conroy—It is right that we are considering industry input on it, so we are happy to take that question on notice and get you as much information as is available.

Senator BOSWELL—Yes, I know you are. Senator Conroy, I accept what you say is sincere, but I rarely get the damn questions answered and, if I do, the answers are such gobbledegook that no-one can even understand them. I accept you are trying to be helpful, but I want a response. It is a very serious problem. Someone has a profit of \$185 million and they are going to be hit with a permit bill of nearly \$1 billion to \$1.6 billion.

Senator Conroy—Ongoing consultations are taking place between the government and industry directly and industry associations, and the government has not reached its final position yet on these issues.

Senator BOSWELL—I might be under a misapprehension, but I thought the final position was in the white paper.

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Ms Quinn—The government's policy in the white paper was that excess duty on petrol would be lowered a certain per cent for the carbon impost, so petrol prices faced by consumers and most industry will not be affected by the introduction of emissions pricing at the start of the scheme.

Senator ABETZ—Yes, at the start of the scheme, but for how long will that cross-subsidy be—

Ms Quinn—The white paper position is that it varies a little bit, depending on the industry and the

consumers. But for consumers the reduction will be for years; and for some industries it is three years and for other industries it is one year.

Senator ABETZ—So for some industries it will be within one year or immediately after one year.

Ms Quinn—Yes.

Senator BOSWELL—I am very happy that Senator Conroy has made an intervention because I was just at a coal-mining industry lunch. They have a similar problem; they are going to get wiped out. Are you going to relook at them too?

Senator Conroy—As I have said, the government is engaged in ongoing discussions with a whole range of industry sectors.

Senator BOSWELL—But how can you do that when you have a white paper that says we are going to do this and we have legislation coming in?

Senator Conroy—We have ongoing discussions with industry. I am confident that Senator Wong, the Treasurer and other members are having ongoing discussions with the various sectors.

Senator BOSWELL—They will be overjoyed. Every industry that thinks they are going to get completely screwed will be overjoyed at your admission that you are going to revisit them.

Senator Conroy—I did not say anything of the sort. What I said was that there are ongoing discussions. We are listening to concerns and having ongoing discussions. I did not say that we are revisiting anything. That was your word, not mine.

Senator BOSWELL—I do not know the difference between 'ongoing discussions' and 'revisiting'. We just sit down and say, 'Isn't it terrible,' and we are having a discussion with them.

Senator Conroy—There is ongoing consultation taking place with industry regularly. As I have said, if you would like something more specific, I am happy to take it on notice.

Answer:

The Government has consulted extensively with industry during the development of the Carbon Pollution Reduction Scheme White Paper. Transport sector stakeholders have widely supported the Government's position of including transport from

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commencement of the Scheme and for Scheme obligations to be applied to upstream fuel suppliers.

The Government will cut fuel taxes paid by upstream fuel suppliers on a cent-for-cent basis to offset the initial impact of the Scheme on the price of fuel. The Government will assess periodically the adequacy of this measure and adjust the fuel tax offset accordingly. At the end of the three years, the Government will review this adjustment mechanism.