

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Resources, Energy and Tourism Portfolio

Additional Budget Senate Estimates

23 February 2011

Question: AR8
Topic: Ethanol – Advice and Policy
Proof Hansard Page: E83-E85

Senators Bushby and Eggleston asked:

Senator BUSHBY—Clearly the responsibility of excise falls with Treasury, but presumably it would be proper for them to consult the department as to the potential impacts on areas of responsibility that fall under this department. I take it they have consulted.

Ms Constable—They certainly have consulted.

Senator BUSHBY—Have you provided to Treasury your views about what impact that may have on the LPG industry as part of that consultation process?

Ms Constable—We have had discussions on that and they are ongoing. Of course, the Treasury portfolio has put out a discussion paper around alternative fuels and a decision on that has been deferred—or the excise on that has been deferred—until 1 December 2011. But the department is not responsible per se for those arrangements.

Senator BUSHBY—I understand they are not responsible. As part of that consultation process, did you provide Treasury with advice that included your view of the potential impacts on the LPG industry from the introduction of that excise?

Ms Constable—We have provided some advice, yes.

Senator BUSHBY—Are you able to provide the dates on which you provided that advice?

Ms Constable—No.

Senator BUSHBY—Will you take that on notice?

Senator Sherry—We will take that on notice. I think it is very unlikely—

Senator BUSHBY—So it is not a denial—you are not saying you will not provide it; you are saying that you cannot provide it today and will take it on notice?

Senator Sherry—I will take it on notice.

Cont...

Senator EGGLESTON—I agree there is a broader alternative energy policy and issue, but we were just specifically interested in the ethanol issue and the domestic

ethanol industry. But I understand what you are saying and I will leave the matter there, because obviously you cannot provide us with details of advice to the Treasury at this stage.

Senator BUSHBY—I take as read what you tell me about the Howard government, which I was not part of. But the fact is we are here and now and are looking at what is the right decision to make now, not what was decided in 2003 or whatever date it may have been. So I am still interested in the extent to which you have provided advice to the minister. I understand that you cannot tell us what that advice was, but can you tell us whether that advice was provided in writing?

Ms Constable—Yes.

Senator BUSHBY—Would you be able to provide the dates of that advice?

Mr Clarke—We will take that on notice.

Senator BUSHBY—Thank you. Apart from the dates, which I understand have changed, and the dates of introduction, has anything else changed between the policy that was announced under the coalition government and what the current proposal is?

Mr Clarke—I think we would have to take that on notice.

Mr Sheldrick—The original announcement was in the 2003-04 budget. In the 2010-11 budget there was an adjustment to the treatment of domestic ethanol compared to imported ethanol. The original proposal would have seen the domestic ethanol lose its advantages more quickly than the imported. The changes in the 2011 budget have extended that period so that parity between the two now does not occur until, I think 2010.

Senator BUSHBY—That is why I mentioned the dates. I acknowledged there was a change in that. I was wondering whether there were any other policy changes?

Mr Clarke—Within the alternative fuel package?

Senator BUSHBY—Particularly with respect to ethanol—between what the minister has pointed out was announced by the previous coalition government and the proposal that is currently being consulted.

Mr Clarke—I understand the question but I think we need to take that one on notice.

Answer:

Question 1:

On what dates did the Department provide advice to Treasury that included the Department's view on the potential impacts on the LPG industry from the introduction of excise?

Answer:

19 February 2010 and 6 December 2010.

Question 2:

On what dates did the Department provide advice to the Minister in relation to excise arrangements from 1 July 2011?

Answer:

29 May 2009, 22 February 2010, 12 April 2010, 8 October 2010, 12 October 2010, 6 January 2011 and 2 February 2011.

Question 3:

Apart from the dates, has anything else changed between the policy that was announced under the coalition government and the current policy?

Answer:

The treatment of domestic and imported ethanol has changed under the current policy compared to that previously announced as part of the 2003-04 Budget under the Howard Government.

Under the policy of the Howard Government, domestic ethanol was set to lose immediately and completely its tax advantage versus imported ethanol on 1 July 2011 when the Ethanol Production Grant was to end.

The current policy extends the period over which domestic ethanol loses its tax advantage relative to imported ethanol in two ways:

1. Imported ethanol now has tax reductions spread over five years from 1 July 2011 to 1 July 2015.
2. The excise phase-in period for domestic ethanol is now spread over ten years from 1 December 2011 to 30 June 2020.

The table below shows the ethanol excise arrangements under the current policy, including the net advantage to domestically produced ethanol.

	1 July 2010	1 July 2011	1 July 2012	1 July 2013	1 July 2014	1 July 2015	1 July 2016	1 July 2017	1 July 2018	1 July 2019	1 July 2020
For ethanol produced domestically	0.0	1.25	2.5	3.75	5	6.25	7.5	8.75	10	11.25	12.5
For imported ethanol	38.1	25.0	21.9	18.8	15.6	12.5	12.5	12.5	12.5	12.5	12.5
Advantage to domestically produced ethanol	38.1	23.75	19.4	15.05	10.6	6.25	5	3.75	2.5	1.25	0