

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 37

Topic: Definition of Subsidies – International Energy Agency

Hansard Page: E15-16(02/06/2010)

Senator MILNE asked:

Senator MILNE—Thank you. I have a question in relation to the G20. At the G20 meeting in Pittsburgh in September last year the Australian Prime Minister signed on to the communiqué, and there was a commitment to reform fossil fuel subsidies. The ministers there called upon their finance and energy ministers to prepare implementation lines and timetables. I understand there is a meeting in Korea at the end of this week at which there will be a final review of each country's plan for the phase-out of fossil fuel subsidies. I ask Treasury now to table Australia's submission to the finance ministers' meeting in Korea—or to the meeting in Toronto—this week. Can you also tell me whether Treasury, in doing that work, accepts the definition of subsidies that the International Energy Agency or the OECD make, because the definition of what a fossil fuel subsidy is going to make a big difference as to what is declared and what is phased out.

Mr Flanagan—The communiqué established a set of work that has been taken up by a working group. The lead agency for Australia within that working group is actually DRET, rather than Treasury, but we are participating in that working group and, obviously, have the lead in the actual meetings that will be occurring in Busan at the end of this week. At this stage we are not in a position to table any of the inputs around the G20. As to what information will be released on those various reports, that is usually left as a consideration for the meeting itself and the ministers at the meeting. I can indicate at this stage that this meeting certainly will not be at a point where it will finalise the views for some of the issues you have touched on about definitions and what, indeed, a subsidy is. There are still issues where discussion is going on between different countries as to what the appropriate definition is for subsidy. As I understand it, the report is still very much in progress, and there will not be a resolution of these issues in Busan.

Senator MILNE—I recognise there is a contestability about the definition of subsidy, that is why I asked whether Australia—not what other countries might do, but Australia—accepts the OECD or the International Energy Agency definition of subsidy for the purposes of this international negotiation.

Mr Flanagan—I would have to take that level of detail on notice.

Senator MILNE—If you would not mind...

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Answer:

Australia's approach to the exercise was based on the IEA's price-gap method. This focuses on whether measures reduce the price to consumers below market levels or, in the case of producers, whether the price paid to producers is effectively increased above market levels. This was consistent with the approach adopted by other G20 countries.