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Child & Associates

22 Britannia Road
Castle Hill NSW 2154

Consultants in Environmental
Science and Management

Telephone: 61-2-9899 1968
Facsimile: 63-2-9899 1797

E-mail: ngchild@canda.com.au
Mobile: 0409 393 024

14 March 2003

The Secretary
Economics **Legislation** Committee
Department of the Senate
Suite **SG.64**
Parliament House
Canberra ACT 2600



By Fax: 02 6277 5719

Pages: 1 + 7

Dear Sir

**Australasian Natural Gas Vehicles Council (ANGVC)
Submission to the Review of the Energy Grants (Credits) Scheme Bill 2003
and the Energy Grants (Credits) Scheme (Consequential Amendments) Bill**

Corrected Version

Please find attached for the consideration of the Committee a corrected submission on behalf of the Australasian Natural Gas Vehicles Council in relation to the above matter.

The submission forwarded by fax earlier today contained a typographic error referring to the "Airports Act" in the Summary section on the final page. Please disregard the previous version of the ANGVC submission, and replace it with the attached.

Please accept my apologies for any inconvenience caused.

Thank you again for this opportunity to make this submission to the Committee. We look forward to your advice as to the outcome of the Committee's considerations in due course.

In the meantime, please feel free to contact the writer should you require any further or more detailed information in relation to the attached submission.

Yours Very Truly

Noel Child
Executive Director
Australasian Natural Gas Vehicles Council

Child & Associates


LANGVC

Australasian Natural Gas Vehicles Council

Submission To:

**The Review of the Energy Grants (Credits)
Scheme Bill 2003 and the Energy Grants
(Credits) Scheme (Consequential
Amendments) Bill**

By the:

**Economics Legislation Committee of the
Senate of the Parliament of Australia**

March 2003

Submission to the Review of the Energy Grants (Credits) Scheme Bill 2003 and the Energy Grants (Credits) Scheme (Consequential Amendments) Bill

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Submission to the Review of the **Energy Grants (Credits) Scheme Bill 2003** and the **Energy Grants (Credits) Scheme (Consequential Amendments) Bill**

THE ANGVC

The Australian Natural Gas Vehicles Council (ANGVC) is an organisation established by, and representing the interests of, the natural gas vehicle industry in Australia.

The mission of the ANGVC is to promote the development of a viable natural gas vehicle industry in this country, and to provide a source of objective and reliable information about the benefits of natural gas as an operationally viable and environmentally beneficial alternative to liquid hydrocarbon based transport fuels.

In this regard, the ANGVC has a high level of interest in the legislative framework applicable to the fuel, energy and transport sectors, and in particular legislation relevant to the emergence of alternative fuels, and the regulatory and economic conditions necessary to underwrite and encourage the emergence of such fuels.

Both the Energy Grants (Credits) Scheme Bill 2003 and the Energy Grants (Credits) Scheme (Consequential Amendments) Bill 2003 are legislative instruments of such relevance.

THE ENERGY GRANTS CREDIT SCHEME BILL

The Senate of the Australian Parliament has referred the Energy Grants (Credits) Scheme Bill 2003 and the Energy Grants (Credits) Scheme (Consequential Amendments) Bill to the Economics Legislation Committee for inquiry and report by 24 March 2003.

The purpose of these two cognate bills is to replace the Diesel Fuel Rebate Scheme and the Diesel and Alternative Fuels Grants Scheme entitlement provisions with a single entitlement called the Energy Grants (Credits) Scheme. The provisions of the bills are intended to:

- replicate the existing entitlement provisions in the *Diesel and Alternative Fuels Grants Scheme Act 1999*, the *Customs Act 1901* and the *Excise Act 1901* to create an on-road credit and off-road credit;
- amend the eligibility criteria for the existing schemes to clarify the Government's position on certain activities; and
- address current administrative inconsistencies between the 2 schemes.

This submission presents the views of the ANGVC for the consideration of the Economics Legislation Committee.

Submission to the Review of the Energy Grants (Credits) Scheme Bill 2003 and the Energy Grants (Credits) Scheme (Consequential Amendments) Bill

SPECIFIC SUBMISSIONS TO THE INQUIRY

The ANGVC makes the following specific submissions to the Economics Legislation Committee in relation to its consideration of the Energy Grants (Credits) Scheme Bill 2003 and the Energy Grants (Credits) Scheme (Consequential Amendments) Bill:

1 Support for Natural Gas

The ANGVC strongly supports the role of natural gas as both a strategically and environmentally important component of any sustainable long-term fuel and energy strategy for this nation.

Natural gas offers environmental advantages as a consequence of its low "carbon density" compared to heavier and more conventional fuels such as petrol and diesel. As a consequence, gas offers very worthwhile reductions in greenhouse gas emissions, compared to these more conventional liquid hydrocarbon based fuels.

The clean burning characteristics of natural gas result in significant reductions in harmful exhaust pollutants, a factor of very real significance in the ongoing challenge to maintain and improve air quality in our major urban centres.

Beyond these unquestionably important environmental considerations lies perhaps the strongest argument for the use of natural gas as a transport fuel, and for the emergence of a strong and viable natural gas vehicle industry. That argument arises from the strategic importance of gas as an indigenous Australian energy resource. The coming decades will see Australia's crude petroleum reserves continue decline in relation to international supply – international supplies that are themselves finite, politically vulnerable, and generally acknowledged to be subject to progressive limitation over the next two generations.

Australia has a very strong strategic incentive to support and encourage the development of viable economically and operationally viable alternative fuels, including natural gas.

Accordingly, the ANGVC supports legislative measures that provide an administrative and commercial environment in which natural gas and other viable alternative transport fuels are allowed to emerge on the basis of environmental and strategic merit. In this regard, the ANGVC supports the enhancement of the Energy Grants (Credits) Scheme Bill 2003 and the Energy Grants (Credits) Scheme (Consequential Amendments) Bill to give maximum effect to this objective.

2 Liquefied Natural Gas (LNG)

The role of natural gas as a transport fuel involves the use of gas in both its compressed and liquefied form. Various wording throughout the existing legislation, and the Energy Grants (Credits) Scheme Bill 2003 and the Energy Grants (Credits) Scheme (Consequential Amendments) Bill, refer to "CNG" (compressed natural gas), but not specifically to "LNG" (liquefied natural gas).

Submission to the Review of the **Energy Grants (Credits) Scheme Bill 2003** and the **Energy Grants (Credits) Scheme (Consequential Amendments) Bill**

For example, in Section 4 "Definitions" of the Energy Grants (Credits) Scheme Bill 2003, the following wording is used:

"on-road alternative fuel means:

- (a) compressed natural gas; or
- (b) liquefied petroleum gas; or
- (c) ethanol; or
- (d) such other fuel as is specified in the regulations."

The Energy Grants (Credits) Scheme (Consequential Amendments) Bill proposes the use of the following words in defining an "energy grants credit scheme fuel":

"energy grants scheme fuel means on-road diesel fuel, on-road alternative fuel, or off-road diesel fuel, within the meaning of the Energy Grants (Credits) Scheme Act 2003."

The ANGVC believes that natural gas should continue to be specifically defined as an alternative fuel within the Act.

The ANGVC further believes, on the basis of simple logic, that both physical forms of natural gas should clearly be included as alternative fuels subject to the provisions the proposed legislation. The ANGVC is equally sure that this is the intention of the Commonwealth.

Accordingly, and in the interests of clarity, the ANGVC submits that wording throughout the Act be revised where necessary to ensure that natural gas is clearly identified as an "energy grants credit scheme fuel".

The ANGVC further submits that "natural gas" is clearly defined in this respect as either "CNG" or "LNG", and that both physical forms of the fuel are specifically and individually defined in the wording of the Act.

3 Inclusion of Dual Fuel Systems

In Section 4 "Definitions", the Energy Grants (Credits) Scheme Bill 2003 makes reference to the exclusion of fuel "blends" as alternative fuels under the terms of the Act. The following words are used:

"but, to avoid doubt, does not include a blend of anything in any paragraph of this definition with anything in any other paragraph or paragraphs of this definition or with any other fuel or fuels."

The ANGVC supports the exclusion of fuel "blends". The ANGVC is anxious to ensure, however, that dual fuel systems, involving the joint use of natural gas, in either compressed or liquefied form, in conjunction with other defined energy grants credit scheme fuels, is not excluded under the provisions of the Act. Once again, the ANGVC is sure that it is the intention of the Commonwealth to include such the aggregation of fuels used in such dual fuel systems as legitimate "fuels" under the Act.

The ANGVC submits that, wherever necessary, the wording throughout the Act be revised to specifically define dual fuel systems involving the use CNG or LNG in conjunction with other energy grants credit scheme fuels as legitimate and applicable under the terms of the Act.

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4 Rebates Linked to Environmental Performance

The average age of a truck in the Australian fleet is currently estimated to be between 12 and fourteen years.

It is the view of the ANGVC that current legislation does little to encourage a progressive change to newer, and therefore cleaner vehicles.

The fuel rebate provided under the Act is currently limited to vehicles of 20 tonnes and greater gross vehicle mass, operating in the metropolitan area.

The ANGVC believes that if this limitation were to be removed, and replaced with an alternative requirement that rebates be provided to all such vehicles meeting Australian Design Rule 70/00, the move to newer, cleaner vehicles, and therefore improved urban air quality, would be effectively encouraged.

The ANGVC believes, because of the generally similar numbers of ADR 70/00 compliant vehicles and 20 tonnes plus vehicles, this proposed modification would be generally cost neutral to the scheme.

The benefit to all operators outside the metropolitan area would not change as a result of this proposed modification to the Act, regardless of the age of their vehicles.

The environmental benefits, however, would be potentially very significant. New vehicles designed to operate on natural gas, and existing vehicles converted to gas operation, would easily meet the requirements of ADR 70/00, this overall enhancement to the legislation would also support the development of the natural gas vehicle industry.

The ANGVC believes that this proposed change would result in the more equitable linking of fuel rebates to environmental performance, and in potentially changing the Australian truck fleet from one of the oldest in the world, to one of the cleanest.

Accordingly, the ANGVC submits that the current provision linking fuel rebates to vehicles of gross mass 20 tonnes or greater, operating in metropolitan areas, be replaced by a provision linking rebates to all vehicles complying with Australian Design Rule 70/00 environmental performance, or better.

5 Support for the Bill Generally

Notwithstanding the particular matters raised in this submission, which essentially propose enhancement to the legislation, the ANGVC supports the general objectives of the Energy Grants (Credits) Scheme Bill 2003 and the Energy Grants (Credits) Scheme (Consequential Amendments) Bill.

The Bill has already been extensively delayed, and in the view of the ANGVC further delay would simply impose additional constraints on the transport industry generally, particularly given that the new scheme will come into operation on 1 July, 2003.

Accordingly, the ANGVC submits that the Bill, incorporating the revisions and enhancements proposed in this submission, be dealt with by Parliament in a timely manner.

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6 Ongoing Dialogue

The ANGVC supports the development of natural gas as a transport fuel. This submission, and its recommendations, sets out some of the key reasons for this position. It is the view of the ANGVC that the Commonwealth should share this very worthwhile objective, and ensure that it is appropriately supported by relevant legislation.

We believe that natural gas will emerge as a fuel on the basis of the strategic, economic and environmental benefits that it offers. Our objective in this submission is not to seek any undue advantage for natural gas in this respect, but simply to ensure that its progress as a vitally important alternative fuel can proceed on a level legislative playing field.

In this regard, the ANGVC would appreciate the opportunity to be involved in the consideration and review of future legislation relating to the Australian transport, fuel and resource sectors, and offer a positive and constructive input to such processes.

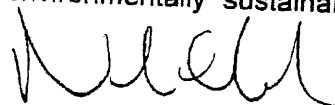
The ANGVC seeks the opportunity to be involved in an ongoing dialogue with the Commonwealth on relevant aspects of national transport fuel and energy resource policy and legislative development.

SUMMARY

This submission presents a number of specific recommendations in relation to the review of the Energy Grants (Credits) Scheme Bill 2003 and the Energy Grants (Credits) Scheme (Consequential Amendments) Bill 2003 currently in progress.

The ANGVC is keen to play an active and constructive role in the successful review of the Act, and the emergence of legislation which will actively support the further development of natural gas as a strategically and environmentally preferable alternative, in a market currently dominated by petroleum based fuels. It is the strong view of the ANGVC that such an outcome will be in the medium and long term interests of this nation. We believe that the resulting benefits will be both environmental and strategic in nature. The environmental benefits flowing from the increased use of gas as a transport fuel centre around the relatively low carbon content of gas compared to liquid fuels such as petrol and diesel, and as a consequence the net greenhouse benefit of some 20% that can be generated.

The strategic benefit, perhaps more important in the longer term, emerges from the potential of gas produced from indigenous sources to replace fuels derived from a declining and politically vulnerable international crude oil market. Accordingly, the ANGVC is pleased to provide this submission to the Committee, and would be equally pleased to provide any further or more detailed information that may be of assistance. We look forward to the findings of the Committee, and to the development of legislation that provides genuine and constructive support for the emergence of strategically and environmentally sustainable fuels, including in particular natural gas.



Noel Child
Executive Director
Australasian Natural Gas Vehicles Council