

**From:** Mike Burrows [mailto:burrows@wn.com.au]  
**Sent:** Tuesday, 23 May 2006 3:04 PM  
**To:** Brandis, George (Senator)  
**Subject:** Fuel Tax Bill 2006

Dear Sir,

I understand you Chair the Senate Economics Committee which is reviewing the above Bill. I wish to bring to the attention of you and your committee what I believe is an anomaly in the treatment of biodiesel proposed in the Bill.

Current legislation allows a Cleaner Fuels Grant to be paid to producers and importers of biodiesel at the same time as they pay an equivalent amount to the Govt as Fuel Excise. The biodiesel is then treated as Excise Paid and eligible off-road users are able to claim a rebate of that excise. No Cleaner Fuels Grants are available for petroleum diesel ). The effect of these arrangements is that a subsidy is available to promote the production of biodiesel which I believe is the intention of the Government. Without this subsidy it is unlikely that the production of biodiesel in Australia will proceed at a satisfactory pace.

It is my understanding of the proposed legislation, confirmed by the ATO , that biodiesel that has had a Cleaner Fuels Grant paid on it will not be eligible for a Fuel Tax credit because the Cleaner Fuels Grant payment is treated as being a refund of the Excise paid. The exception to this is where a blend of biodiesel and diesel meet the standard for diesel as per the Fuel Quality Standards. This limits the amount of the biodiesel in the blend possibly to as low as 5% and eliminates 100% biodiesel from any subsidy when compared to petroleum diesel. I do not believe this is the intention of the Australian Government.

The Bill will make an energy grant available for alternative fuel used on-road but denies off-road users this benefit. Is there a reason for this discrimination?

I believe the proposal will have the following detrimental effects on the potential production of biodiesel in Australia.

1. The use of 100% biodiesel or blends that do not meet the diesel Fuel Quality Standard by primary producers (farmers, fishermen and miners) will not be economic reflecting the higher production cost of the biodiesel without a subsidy. It seems illogical to offer an incentive to use biodiesel in a low percentage blend but no incentive to use stronger blends or 100% product. This removes the incentive for underground mining companies to use the cleaner burning (healthier) product and so protect workers and the environment. It removes the incentive for fishermen to use a biodegradable product and so protect their catch and the environment. It removes the incentive for farmers to use a biodegradable fuel, protect the environment and grow the production of oil seeds such as Canola which will be used as the feedstock for biodiesel. All of this in turn removes the incentive for potential investors to build the necessary plants to produce biodiesel.

2. As off road use of biodiesel will only be supported in a blend with diesel any importers or local producers will need to be aligned with a major oil company to access diesel and the large storage required tanks to allow blending. To mix a 5% blend the required storage facility is 20 times larger than if a 100% product was produced.

This denies the users the possibility of alternative suppliers entering the fuel market especially the retail market which is dominated by the major oil companies and

Coles/Woolworths. The further strengthening of the grip of these select companies on the Australian market is not in the national interest.

I have an interest in a small Australian company which has designed in-house technology to allow production of biodiesel from Canola. We are currently trialling the technology in a test plant prior to making decisions on building a full scale plant with the aim of producing 40 million litres per annum of biodiesel with the plant to be located in regional WA. Plans for additional plants to be built in other regions of Australia will depend upon the success of the initial plant. We are dependant upon the subsidy to make these plans viable. The benefits of reduced greenhouse gases, reduction of balance of payments and employment opportunities of these plans are at risk.

Please do not hesitate to contact me if you have any queries or require further information.

My contact details are as follows:

Phone 08 95819162 Mobile 0408882221 Fax 08 95819218

Post 1 Kalyan Close Greenfields WA 6210 email [burrows@wn.com.au](mailto:burrows@wn.com.au)

Yours sincerely  
Mike Burrows