

Attachment 1 (Impact of Treasury Fuel Tax Credit Reform proposal)

Impact on Heavy Vehicle operator

Diesel User (a qualifying heavy vehicle operator)

		\$/litre	
Terminal gate price		1.000	Example terminal gate price
Tax credit to offset the Fuel Tax that has been paid	(0.381)		Tax credit proposed by Treasury to off-set fuel tax paid
Road User Charge	<u>0.200</u>		New charge proposed by Treasury to reflect cost of heavy vehicles on road system
Fuel tax credit (tax credit less RUC)		<u>(0.181)</u>	Net credit available to user from proposed Fuel Tax Credit Reform
Net cost to user		0.819	Net cost per litre to heavy vehicle operator

Biodiesel User (a qualifying heavy vehicle operator)

Terminal gate price		1.000	Example terminal gate price
"Effective" Fuel Tax paid	-		Treasury proposes zero tax credit as Cleaner Fuel Grant offsets Fuel Tax
Road user charge	<u>0.200</u>		
Fuel tax credit (tax credit less RUC)		<u>-</u>	Zero credit available to user from proposed Fuel Tax Credit Reform
		1.000	
Alternative Fuel Grant		<u>(0.148)</u>	Temporary relief proposed by Treasury, falls away by 2011
Net cost to user		0.852	

Discount that must be offered by biodiesel producer for parity pricing

0.033 in 2007

0.181 in 2011 after Alternative Fuel Grant falls away

What does this mean for biodiesel producer

Biodiesel Producer / Distributor

	2007	2011	
Terminal gate price	1.000	1.000	
Discount required to match diesel price	<u>(0.033)</u>	<u>(0.181)</u>	
Net price from user	0.967	0.819	
Fuel tax payable	(0.381)	(0.381)	
Cleaner Fuels Grant Scheme	<u>0.381</u>	<u>0.381</u>	
Payment from/(to) Commonwealth	-	-	
Revenue to biodiesel producer if Fuel Tax Credit reform introduced	<u>0.967</u>	<u>0.819</u>	
less operating expenses and depreciation (say)	<u>(0.750)</u>	<u>(0.750)</u>	
Available to service debt and equity with Fuel Tax Reform	<u>0.217</u>	<u>0.069</u>	
Available to service debt and equity without Fuel Tax Reform	0.250	0.250	

Percentage change in prefinancing margin with introduction of Fuel Tax Reform

(13.2%)

(72.4%)