

Chapter 1

Terms of reference

1.1 On 25 June 2008, the Senate established the Senate Select Committee on Fuel and Energy (the committee) to inquire into and report on the impact of higher petroleum, diesel and gas prices and several related matters.

1.2 The full terms of reference for this inquiry are extensive and can be found at appendix 1. As the terms of reference for this inquiry are broad, the committee has decided to report in stages. This second interim report discusses taxation arrangements on fuel and energy products under the following parts of the inquiry's terms of reference:

- (e) the existing set of federal and state government regulatory powers as they relate to fuel and energy products;
- (f) taxation arrangements on fuel and energy products including:
 - (i) Commonwealth excise,
 - (ii) the goods and services tax, and
 - (iii) new state and federal taxes;
- (g) the role of alternative sources of energy to coal and alternative fuels to petroleum and diesel, including but not limited to: LPG, LNG, CNG, gas to liquids, coal to liquids, electricity and bio-fuels such as, but not limited to, ethanol;
- (h) domestic energy supply and the domestic oil/gas exploration and refinement industry, with particular reference to:
 - (i) the impact of Commonwealth, state and local government regulations on these industries,
 - (ii) increasing domestic oil/gas exploration and refinement activities, with a view to reducing Australia's reliance on imported oil,
 - (iii) other tax incentives, and
 - (iv) securing Australia's future domestic energy supply;
- ...
- (j) any related matters.

Conduct of the inquiry to date

1.3 The inquiry was advertised in *The Australian* and details of the inquiry were placed on the committee's website.

1.4 Following the release of the report *Australia's future tax system: Report to the Treasurer* (referred to as the 'Henry Tax Review Report') on 2 May 2010, and the

Australian Government's Tax Policy Statement in response to the Henry Tax Review Report titled *Stronger, Fairer, Simpler: A tax plan for our future* (the government's initial response), the committee wrote to state and territory governments and key stakeholders to determine their views on the Henry Tax Review Report and the government's initial response. The committee has received 21 such submissions to date, and these are listed at appendix 2. The evidence received in regard to the Henry Tax Review Report and the government's initial response is discussed at chapter 3.

1.5 On 2 July 2010, the Australian Government announced new/revised resource tax arrangements. The committee subsequently held two public hearings in Canberra in July 2010 to hear evidence on the new/revised measures. Details of the public hearings, including a list of the witnesses who gave evidence are provided at appendix 3.

1.6 The committee continued to receive submissions, hold public hearings and undertake site visits for its broader inquiry, which will be discussed in the committee's final report.

Scope

1.7 The committee has conducted this inquiry with particular reference to Australia's energy and fuel security going forward. Consequently the committee has explored how current regulation and taxation arrangements on various sectors of industry may affect Australia's energy and fuel security, including the effect on investment in domestic energy and fuel supplies.

1.8 In this context the committee closely examined the relevant recommendations made in the Henry Tax Review Report, the Australian Government's initial response released on 2 May 2010, and the subsequent revised measures announced on 2 July 2010.

Acknowledgement

1.9 The committee thanks those organisations and government departments who made submissions and gave evidence at the committee's public hearings. Their work has assisted the committee considerably in its inquiry and the committee thanks them for their contributions.

Note on references

1.10 References in this report are to individual submissions as received by the committee, not to a bound volume. References to the committee Hansard from 13 July 2010 relate to the proof Hansard: page numbers may vary between the proof and the official Hansard transcript.