



PARLIAMENT OF AUSTRALIA
HOUSE OF REPRESENTATIVES

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Emissions Trading Scheme can include petrol without pumping up its price

An Emissions Trading Scheme (ETS) that includes petrol and diesel without a significant or any increase in price to the consumer is possible according to the Independent Member for New England Tony Windsor.

Mr Windsor was responding to comments made recently that the Government may not include petrol in its approach to its ETS due to the recent and continuing furore over the price of petrol.

Mr Windsor is suggesting that the forthcoming tax review would be the ideal vehicle for an assessment of our taxation system with an Emissions Trading Scheme or carbon tax arrangement factored in to be introduced in 2010.

“Pricing carbon will have an enormous impact on how Australians carry out their economic activity but it need not have the horrendous price effect on petrol prices if the government goes back to basics on fuel taxation.

Currently the Federal Government charges thirty-eight cents per litre in fuel excise and approximately fifteen cents per litre in GST.

Every one cent in tax or excise raised is equivalent to \$368m hence the 38c excise raises approximately \$14.4B whilst the GST raises another \$5.5B annually.

Of the excise raised, approximately 8c/litre or \$3B is spent on road construction or road maintenance.

An Emissions Trading Scheme can therefore include petrol and diesel,” Mr Windsor said.

Mr Windsor believes that the Government’s Tax Review should include the overall tax take and factor in the receipts from an Emissions Trading Scheme (ETS) and remove the non road construction and maintenance component of the fuel excise.

Mr Windsor says that it is possible to revamp the tax take and use the Emissions Trading Scheme to send the appropriate environmental message and not be added to an inappropriate fuel excise tax take.

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Fuel excise collected currently	38c/litre	\$14.4B
LESS		
Road construction & maintenance	8c/litre	\$3.0B
	=====	=====
	30c/litre	\$11.4B
LESS		
Fuel Tax Credits Scheme 2007-2008		\$4.754B
		=====
Current Excise Surplus to consolidated revenue		\$6.646B
Projected Emissions Trading Scheme cost 17c/litre		\$6.26B

According to Mr Windsor, given the current estimates of 17c/litre for an Emissions Trading Scheme cost or \$6.26B, it is possible to implement an Emissions Trading Scheme that would be price neutral in its impact.

Mr Windsor believes that including greenhouse gas emissions in the Taxation Review would allow for a much more transparent taxation system rather than the artificial system that currently exists.

That is:

- 1 a road construction and maintenance tax based on motorists fuel use and
- 2 an Emissions Trading Scheme based on pollution costs and the real price of the product – not a tax on a tax.

Any shortfall in revenue from the Taxation Review could be covered through income tax increases or bracket creep or other forms of taxation identified in the Taxation Review.

“One of the excuses given by Governments over the years to justify fuel excise is the need for a message to be sent to consumers to deter consumption of petrol and diesel.

That circumstance doesn’t exist any more – the supply and demand parameters are driving that message without the need for an artificial tax.

An ETS therefore should NOT be imposed over and above a fuel excise,” Mr Windsor said.

Mr Windsor said it was also critical that the Government and Opposition work together to achieve a bipartisan approach to the formulation of an Emissions Trading Scheme otherwise the Scheme would be an expensive failure.

“Both the Government and Opposition need to focus and agree on a long term strategy to address climate change.

This issue is too important to play short term political games,” Mr Windsor said.