



PARLIAMENT OF AUSTRALIA
HOUSE OF REPRESENTATIVES

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Media Release

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The Price of Petrol and the Emissions Trading Scheme

The price of petrol is a major concern to all Australians so much so that people have been writing to the Independent Member for New England Tony Windsor with their thoughts on what can be done to alleviate the problem.

Mr Windsor says something that could add further to the price of petrol if it is not handled very carefully is the introduction of the Emission Trading Scheme to reduce the impact of greenhouse gas emissions on the environment.

Mr Windsor had the opportunity to ask the Prime Minister a question on this issue on Wednesday. Here is Mr Windsor's question and the Prime Minister's response.

Mr Windsor's question to the Prime Minister

[Mr WINDSOR](#) (3.07 p.m.)—My question is to the Prime Minister and relates to the need to introduce an emissions-trading scheme by 2010 and the current explosion in world oil prices and the consequent impacts on consumers and the Australian economy. Prime Minister, given that the market is delivering the same economic and efficiency signals to motorists as fuel excise was partly intended to do, would you consider as part of your plan of action referring existing fuel taxation arrangements and proposed emissions-trading fuel charges to the Henry taxation review with a view to downsizing the current fuel excise to such a level to cover road construction, maintenance and air pollution costs but not the consolidated revenue collection component of the existing excise?

Prime Minister, would it not be more pertinent to have a fuel taxation policy that sends transparent messages in relation to greenhouse gas emissions and road maintenance rather than just adding to the pre-climate-change taxation system we currently have?

The Prime Minister's Answer

[Mr RUDD](#)—I thank the member for New England for his question because he takes these matters seriously. He seeks to seriously reflect the concerns which he identifies in his community. These are legitimate questions to be asked. On the first point that he raises, which is how these matters can be best deliberated, including the taxation treatment of fuel, the Treasurer has already indicated that these matters are subject to inquiry as part of the Henry commission. Therefore we await with interest its deliberations on this matter. Also the Treasurer has indicated that the Henry commission may report sequentially over time between now and when it is due to complete its final report by the end of next year. So these matters

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should be considered in their totality, which is one of the reasons why the Treasurer, I and the cabinet agreed that it would be appropriate to consider this through that particular form.

Secondly, the honourable member refers to the overriding effect of the current global oil shock. As the honourable member knows, this is the greatest oil shock the world has seen in 30 years. It is of a similar order of magnitude to the ones that we saw in the early seventies and the late seventies. Therefore, the price signals it is sending out to the entire economy, as the member anticipates in his question, are of themselves huge.

The question we need to address, however, in the case of emissions trading is: what do we do in terms of Australia's future between here and 2050? How do we construct a long-term climate change regime and a regime which affects the long-term reduction in greenhouse gas emissions across that spectrum of time? That is currently the negotiation which we are conducting globally with other partner economies around the world, because we all know that, if the country is to be serious and the world is to be serious about bringing down greenhouse gas emissions, what we do independently, nationally, as Australia is one thing, but we represent a small percentage of global emissions. What we do in partnership with other states is critical. What is on the table with other states is: how do we actually construct a system of global caps on greenhouse gas emissions between here and 2020 and 2050 and as a globe compact on that? Irrespective of the intermediate fluctuations in oil prices by other factors, including supply and demand factors in the Middle East, energy efficiency measures and the rest, this regime has to be constructed for its own intrinsic environmental merit. That is the regime which has been negotiated through Kyoto. That is what we are seeking to negotiate through Kyoto Plus.

So I would say in response to the honourable member's question, which is a serious question: this has to be done on a disciplined basis for the long term beyond the current impact of price fluctuations of this global oil shock. The final thing I would say on the global oil shock itself—not directly relevant to what the member has just asked—is that every government the Treasurer, I and others have been speaking to around the world in recent days is wrestling with the parallel challenges of how to deal with this on the one hand at the same time as dealing with their long-term obligations to the planet and the next generation when it comes to bringing down greenhouse gas emissions and avoiding the environmental and economic consequences I referred to in my earlier answer to a question.