



Australian Government

The Treasury

CARBON POLLUTION REDUCTION SCHEME (CPRS) FUEL TAX ADJUSTMENT ARRANGEMENTS

SUMMARY OF CONSULTATION PROCESS

On 7 April 2009, the Assistant Treasurer and Minister for Competition and Consumer Affairs released the draft legislation for the Carbon Pollution Reduction Scheme (CPRS Fuel Credits) Bill 2009, the Carbon Pollution Reduction Scheme (CPRS Fuel Credits) (Consequential Amendments) Bill 2009, the Excise Tariff Amendment (Carbon Pollution Reduction Scheme) Bill 2009 and the Customs Tariff Amendment (Carbon Pollution Reduction Scheme) Bill 2009.

Copies of the draft legislation, commentaries, and details on how to make public submissions were placed on the Department of Treasury website. The purpose of the consultation was to receive industry feedback to ensure that the draft legislation matched the policy intent outlined in the White Paper, Carbon Pollution Reduction Scheme: Australia's Low Pollution Future released on date 15 December 2008.

In addition, Treasury invited relevant industry bodies to a consultation meeting to give interested parties a further opportunity to discuss the draft legislation.

Consultation process

Consultation on the draft legislation and the associated commentary paper was conducted between 7 April and 20 April 2009. A consultation meeting with relevant industry associations was held at the Treasury on 16 April 2009. 16 submissions were received.

Submissions can be viewed by clicking on the following [link](#). A number of submissions raised issues on the underlying policy of the CPRS Fuel Tax Adjustment Arrangements which were outside the scope of this consultation process.

Summary of key issues

Comments on the contents of the draft legislation

In general, industry considered that the draft legislation was consistent with the White Paper. The issues raised in the context of the draft legislation were as follows:

Issue: Industry raised the issue of the treatment of gaseous fuels for non-transport use. Industry indicated that the wording of the draft legislation may have allowed diversion of gaseous fuel for which a CPRS fuel credit has been claimed to non transport use. They noted that this was inconsistent with the policy intent of the legislation which is to provide CPRS fuel credits for gaseous fuels used in road transport.



Australian Government

The Treasury

Response: Consequently, the entitlement to CPRS fuel credits in the draft legislation for gaseous fuels has been tightened to 'marketed, or intended, for use in a vehicle travelling on a public road'.

Issue: Industry indicated that the introduction of the CPRS and reductions in excise may have implications for Fuel Tax Credits. Both the CPRS fuel credit and the fuel tax credit are attributable to the period in which they are claimed. However, the relevant fuel tax rate applicable to calculating a fuel tax credit is the rate applying at the beginning of the BAS period in which the claim is made. For CPRS fuel credits the relevant rate is the rate applying when the fuel is purchased, or, in the case of gaseous fuels when it is supplied. Therefore during the transitional period, if the rate of excise changes, and fuel tax credits are claimed some considerable time after the fuel was purchased, then the amount of the Fuel Tax Credit entitlement may be lower than if it had been claimed earlier.

Response: Given the Government's 'cent-for-cent' commitment it is appropriate that CPRS fuel credits are based on the fuel tax rate applicable when fuel is produced or supplied. The attribution rules of the Fuel Tax Credits system are based on the BAS reporting arrangements. Amending the Fuel Tax Credit system in response to the CPRS transitional circumstances would increase the ongoing compliance costs of all Fuel Tax Credit claimants.

Issue: Industry raised fuel tax adjustments based on the six monthly average CPRS unit price may significantly underestimate or overestimate the CPRS unit price paid on a particular day. Furthermore, as the calculation of the six monthly average CPRS Unit price is of necessity from historical data, it could understate the CPRS Unit charge applicable when the fuel is purchased.

Response: For the first year of the scheme the price of carbon is fixed and therefore there will be no fluctuation in CPRS unit process. The adjustment on 1 July 2012 will be based on the auction prices over the preceding six months. The timing of the six monthly adjustments represents a balance between the desire to adjust the fuel excise rate in line with CPRS unit cost increases and the need to minimise compliance costs for industry.

Feedback

Feedback on the consultation process for this measure can be forwarded to consultation@treasury.gov.au.

Thank you to all participants in the consultation process.