# **Fossil fuel ‘subsidies’**

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## Summary

The Australia Institute recently claimed Australia provides large and increasing subsidies to fossil fuels, the largest being a rebate of excise for fuel not used on roads – costed at $8.1bn for 2021-22.

The accompanying report did not establish whether fossil fuel use is subsidised. The primary reason: it used an arithmetic approach to subsidy estimation which despite ignoring taxes on fossil fuels included rebates of those taxes.

Such an approach suggests lower taxes on fuels reduce subsidies. This occurred in the 2023 Budget, a result of which is reduction in the Institute’s estimate of fossil fuel subsidies by $1.2bn – 15 percent – due to a cut in excise on fuels.

That perverse result discredits the Institute’s report. Previous comments by ABC fact check, the OECD and some academics apparently in support of that type of approach were similarly discredited.

There are other problems with the Institute’s report. These include it ignored State taxes and misrepresented the excise rebate as a subsidy to coal mining.

However, the worst problems arise from failure to comprehend transport issues.

The report wrongly said governments, by owning railways and some ports, subsidise fossil fuels.

Worse, it failed to identify the enormous subsidy for fossil fuel consumption from government spending on roads being very far in excess road user charges - for 2019-20, $8.9bn.

The report failed to appreciate the fuel excise has been considered part of road user charges since the year 2000. Replacement of the excise by direct road-use charges has been the central tenet of all debates about ‘road reform’.

An implication of the report’s approach is direct road-use charges would be levied on top of the excise. That would be so unacceptable to the public it would stop any consideration of road reform.

Presumably, the issue motivating estimation of fossil fuel subsidies is the effects of emissions. These emissions arise largely from the consumption of fossil fuels. The public policy question is whether fuel consumers pay a socially optimal price for causing emissions. There are reasons to suspect this is not the case, and that consumption and emissions are ‘under-priced’.

Unfortunately, the approach of the report leads to exactly the opposite conclusion. That approach has a cut in the price of fossil fuels - due to an excise cut – being a prime method of reducing subsidies. Such a reduction in subsidies would increase fuel use and emissions.

The Institute appeared to attempt to draw attention to the production of fossil fuels. This may lie behind its misanalysis. Yet the report was further deficient on that matter by failing to note how the international situation is pressing governments to urgently secure diverse sources of fossil fuels such as oil and gas, including by increased storage and domestic production.

A proper arithmetic approach to subsidy estimation would go beyond the report and consider taxes and implicit subsidies for fossil fuel use – such as excess spending on roads.

However, even that is not capable of addressing the public policy issues. For that, the optimum price for fuel use - including for emissions – needs to be estimated. That optimum needs to be compared with actual prices. That is a modelling, not arithmetic, task.

Finally, there are other peculiar circumstances surrounding the report. It was published a day before the Budget which was expected to announce an excise rate cut - which should have been expected to show the report’s methodology and results to be faulty.

The report also referred critically to a Fuel Tax Credits Alliance – a group wishing to see continuation of the rebate. Some charts presented by the Institute and Alliance are likely to mislead the public.

More should be expected of those seeking, and claiming, to influence public policy.

## 0. Introduction

Mea culpa. Last year the beagle rebutted an Australia Institute report on fossil fuel ‘subsidies’.[[1]](#footnote-1)

However, it doesn’t recall sending the rebuttal to the Institute. And the rebuttal might have been unduly obtuse.

This note seeks to atone for such oversights.

## 1. Fossil fuel subsidies – Australia Institute 28 March

On 28 March 2022, the Australia Institute published: Fossil fuel subsidies in Australia. The media release claimed the subsidies ‘*surged*’ by ‘*a staggering*’ $1.3bn to $11.6bn in 2021-22.[[2]](#footnote-2)

The result, drawn from 2021-22 Budget papers, is dominated by the Fuel Tax Credits Scheme:

*‘The largest subsidy is the federal Fuel Tax Credits Scheme, at $8.07 billion, which exceeds the $7.5 billion spent on the Australian Army.’*

*‘…the Fuel Tax Credit Scheme… scheme allows businesses to claim a tax credit on fuel used in machinery, heavy vehicles and light vehicles used off public roads. This tax break works to make fossil fuel use cheaper for energy-intensive businesses, such as coal mines, but it is not available to other businesses and individuals that use machinery and vehicles for productive use. Fuel taxes are not linked to road funding, as is commonly suggested by recipients of this subsidy; they simply contribute to general revenue, like most other federal taxation.’*

The report also mentioned the amount was more than payments for roads.

## 2. Publicly invalidated – 29 March

The next day, the Institute’s result and approach were publicly invalidated by the 2022-23 Budget.

That Budget showed a $1.18bn reduction in the estimate of Fuel Tax Credits for 2021-22, compared with the prior Budget. The reduction almost eliminates the *‘staggering increase*’, and places the Credits below Army and road spending - problems enough for the Institute’s report.

Yet the fatal flaw in the report is exposed by the **reason** for the fall in the Credits. That reason: the rate of fuel excise – essentially a tax on fossil fuels – is to be cut.[[3]](#footnote-3)

This shows the ***perversity*** of the Institute’s approach which ***would have readers believe*** ***cutting a tax applied to fossil fuels causes fossil fuel subsidies to fall****.* Under the approach, a tax cut is a cut in assistance – when in reality a tax cut does the opposite, increasing assistance.

## 3. Big mistake

Taking the Institute’s logic at face value, Australia could radically reduce fossil fuel subsidies by eliminating the fuel excise. Indeed, given the excise Credit dominates – is 70 percent of – the subsidy estimate, reducing the excise would seem a prime way of reducing subsidies. As the effect would be to encourage the use of fossil fuels, such a ludicrous proposition points to fundamental mistakes in the Institute’s approach.

The Institute is not alone in error. A previous ABC-RMIT ‘fact check’ offered the same mistake, putting the OECD and a professor from Melbourne University law school also in the frame. It said:

*‘The Minerals Council, an industry body, has also argued that the credit should not be counted as subsidy.*

*This argument assumes that fuel excise represents a genuine "hypothecated" tax that should not be borne by non-road users, rather than a broader revenue raising tax imposed by the Federal Government.*

*The OECD's inventory of support for fossil fuels, however, treats Australian fuel tax credits as a subsidy……It notes, "the mining sector is a prime beneficiary" of these credits,*

*Miranda Stewart, Director of the Tax Group at Melbourne University Law School, said in her view the fuel tax credit represented a subsidy…..’[[4]](#footnote-4)*

The most obvious mistake is arithmetically treating tax concessions as subsidies, while ignoring the taxes against which the concession is granted. This error gives rise to the above perverse inference.[[5]](#footnote-5)

Far from the Commonwealth subsidising fossil fuels through excise exemptions, the excise taxes fossil fuels such that after the Credits – and even after the recently announced cut in the excise rate - it is expected to raise in the order of $11.3billion in 2021-22. This is shown in Table 1 – which also shows the association between the reductions in gross excise and Credits.

**Table 1: Budget estimates for 2021-22 (a)**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Fuel excise gross $m** | **Fuel excise Credit $m** | **Fuel excise net $m** |
| Estimate in 2021-22 Budget (1) | 19,170 | 8,072 | 11,098 |
| Estimate in mid-year review (2) | 20,870 | Na | Na |
| Estimate in 2022-23 Budget (3) | 18,180 | 6,894 | 11,286 |
| Change from previous | -2,690 | -1,178 | 288 |

1. Cash: petrol, diesel and other fuel excise.
2. 2021-22 Budget paper 1, Statements 5, 7.
3. 2022-23 Budget paper 1, Statements 4, 5.

Table 1 indicates the reason for the fall in the Credit is the larger fall in gross fuel excise receipts. Simply: there is less to hand back. The effect is less than what might be expected from a halving of the excise rate because the reduction takes effect only from March 30 2022 - only for the last quarter of 2021-22.

Treasury and the Productivity Commission do not consider the Credits scheme to be a subsidy. There is a Fuel Tax Credits Alliance comprising mining, agricultural and tourism interests. The Alliance claims some may consider the scheme to involve a subsidy because the government pays a rebate for the off-road use of fuels. However, the rebate is a matter of administrative simplicity:

*‘The government switched to a rebate system because it’s more efficient to charge all users the same price upfront for fuel and have eligible users claim back the excess excise, than to have the complexity and integrity issues involved in a certificate system in which eligible users aren’t charged excise at the pump.’[[6]](#footnote-6)*

That is behind the reason for the perverse inference that a cut in a tax causes a cut in subsidies - if the Credit is assumed to be subsidy.

The Australia Institute report also ignored State taxes on fossil fuels. These include coal and gas royalties of at least $4.3bn.[[7]](#footnote-7)

## Miscellaneous material mistakes and inaccuracies

There are other material mistakes and inaccuracies in the report and commentary.

### 4.1 Tax break for coal mines?

The Institute claimed:

*‘This tax break works to make fossil fuel use cheaper for energy-intensive businesses, such as coal mines, but it is not available to other businesses and individuals that use machinery and vehicles for productive use’.*

That is incorrect. The credit is available for any business that uses vehicles off-roads whether energy intensive or not. For example, it is available to and used by service sector and agricultural businesses and, more recently, in aviation.

Total Credits were $7.4bn in 2019-20. Of these $1.3bn – 18 percent - were claimed by firms engaged in coal, petroleum and gas industries, including fuel manufacturing and retailing.[[8]](#footnote-8)

By broad sector, Credits paid were: mining $3.3bn – 45 percent of total Credits; services $2.2bn – 30 percent; agriculture $0.8bn – 11 percent; construction $0.5bn – 7 percent; manufacturing $0.3bn – 4 percent; electricity and water $0.2bn – 3 percent.

The Institute’s report included a chart showing fossil fuel firms accounted for nearly half of the Credit payments *but only to mining* in 2018-19. A better chart is in the Appendix. For 2019-20, Credits claimed by fossil fuel producers accounted for around one-third of the rebates for mining which in turn were less than half of total rebates.

### 4.2 Excise not linked to road funding?

The Institute claimed:

*‘Fuel taxes are not linked to road funding, as is commonly suggested by recipients of this subsidy; they simply contribute to general revenue, like most other federal taxation’.*

The ABC fact check said the argument that the Credit should not be counted as a subsidy is based on an assumption that fuel taxes are used for road funding.

The Institute’s claim is misleading. The ABC fact check was wrong.

True, fuel taxes, like motor vehicle registration revenues, are not linked to road funding. However, that is irrelevant to the nature and purpose of the taxes. The fuel excise is a road user charge whether or not revenue raised is forwarded to road owners. It is incurred as roads are used.[[9]](#footnote-9)

Similar could be said of other excises such as on alcohol and tobacco, the receipts of which are not devoted to those – or any other - industries.

### 4.3 Lowering the cost of inputs?

The OECD reportedly said the Credits scheme:

‘*could arguably be considered producer support since it lowers the cost of inputs used in the coal-mining and hydrocarbon sectors’.*

The proposition is at most arguable because what matters is whether coal mining etc. is assisted *relative* to other sectors i.e., whether there are economic distortions. At law this is not the case – firms outside those sectors gain Credits. In fact, this also is not the case – section 4.1 (above).

The effect of lowering costs of inputs to the export-oriented mining and agriculture sectors is to increase exports and therefore production, rather than to reduce prices. Australian commodity exporters are ‘price takers’. This is illustrated by current record coal prices being determined by international events rather than Australian producer costs.[[10]](#footnote-10)

Perhaps more significantly, the issue of economic distortion is not answerable by a partial arithmetic approach - of totalling gross subsidies - such as used by the Institute. For an arithmetic approach, the Productivity Commission’s method of examining net subsidies (section 4.5 below) is preferable. The Commission does not regard the Credits scheme as a subsidy source.

### 4.4 Rail and seaports

The Institute’s report claimed the Hunter Valley rail network, operated by the Australian Rail Track Corporation is subsidised. That is diametrically opposed to the facts.

The rail lines are so profitable that regulation has been imposed to prevent the Corporation using its monopoly power to effectively tax coal haulage, or use returns from coal to cross-subsidise other activities.[[11]](#footnote-11)

The report also regarded some investments of rail and seaport government corporations - that create assets used by coal etc – as subsidies. That was on the basis that such corporations benefit from an implicit government guarantee. That claimed basis is incorrect in two respects.

First, most if not all of the organisations are profitable government trading corporations. As corporatized entities they are permitted by law to make only those investments likely to be profitable, except when explicitly directed by Governments. They are not permitted to subsidise investments. The Australian Rail Track Corporation (above) is such a case.

Second, since the advent of the Competition Principles Agreement (1995), such organisations, and governments, apply ‘competitive neutrality’ principles. These principles ensure that a government owned corporation is not advantaged (or disadvantaged) by virtue of its ownership. Elements of this include use of ‘commercial’ rates of return as investment hurdles, and payments of dividends and tax equivalents to Treasuries. Indeed, there are examples where government corporations have refused to invest like a normal business because of implicit constraints imposed by Treasuries or governments.[[12]](#footnote-12)

### 4.5 Productivity Commission

The Productivity Commission is considered the authoritative source on arithmetic calculations of industry assistance. For the previous year 2019-20, when the Institute claimed fossil fuel subsidies to $10.3bn, the Commission’s report did not mention fossil fuels. However, it claimed Budgetary assistance to all sectors was $11.8bn, most of which was directed to the services sector. In effect, it refuted the Institute’s claims. [[13]](#footnote-13)

The Commission further noted the sector producing fossil fuels – mining – is the least assisted relative to its size, receiving only $0.4bn - 4 per cent of total assistance. The Commission added assistance to the sector fell by 16 per cent over the six-year review period.

### 4.6 Summary – so far…

The effect of the above is to upend the Institute’s conclusions. Applying a proper arithmetic methodology to the Institutes ‘subsidy’ categories would see fossil fuels taxed rather than subsidised.

On the above figures this would be by more than $12bn.[[14]](#footnote-14)

Yet that and the Institute’s attempt to focus on producer rather than consumer subsidies are beside the key points. Those points being: the issue the Institute presumably wants addressed is the use of fossil fuels; an arithmetic approach, such as used by the Institute, is inappropriate for development of public policy on fossil fuels.

In relation to the emissions-fossil fuel use issue, the Institute’s report, its subsidy arithmetic and therefore the above, suffer a conspicuous absence – assessment of the effect of road spending.

## Road transport

### 5.1 Basics

Transport contributes around 18 percent of Australia’s greenhouse emissions. The sector is the fastest growing source of emissions.

It is claimed the vast bulk of transport emissions are road related – car use alone accounting for half all-transport emissions.[[15]](#footnote-15)

A report from Wollongong University noted:

*‘The International Monetary Fund (IMF) has also questioned the Australian government’s preference for funding roads rather than more energy-efficient rail transport. The IMF says Australia should be spending more on infrastructure, but this should be on rail, airports and seaports, rather than roads.’[[16]](#footnote-16)*

In 2019, the IMF claimed Australia faces a looming infrastructure gap for seaports and railways but not for roads. In the present context, such views are particularly significant as the IMF sponsored international research on fossil fuel subsidies.[[17]](#footnote-17)

### 5.2 Curious omission

In that light, the report’s failure to deal with roads is curious. Road transport is the dominant user of liquid fossil fuels. The excise statistics indicate cars and trucks on public roads use approximately twice as much petrol, diesel etc. as ‘off-road’ uses.[[18]](#footnote-18)

Remarkably the Institute report seemingly refers to everything infrastructure – ports, pipelines, railways etc. - except for roads. More so since it acknowledged Commonwealth spending on roads - $7.6bn for 2021-22 - is near (now more than) the amount of excise Credits. It also ignored the fringe benefits tax concession for cars – referred to in the media as a ‘tax break on wheels’.[[19]](#footnote-19)

Combined with entire sections on items such as profitable port authorities, ‘*gas roads’, ‘Darwin ship lift’* - which in comparison involve trivial amounts of public money – the report looks strange.[[20]](#footnote-20)

Were road subsidies acknowledged, the decision to halve the fuel excise would have been seen as a substantial subsidy increase – because the gap between road spending and road revenues would significantly widen.

### 5.3 Dubious implication

While the report provided some background to the Credit, it did not mention the pivotal change of Australia’s New Tax System (2000) extending eligibility to the marine and rail industries. This effectively re-instated the original – 1957 - intention of the fuel excise as a road-use charge.[[21]](#footnote-21)

It therefore overlooked almost 20 years of subsequent debate on ‘road reform’, including at the Council of Australian Governments. This is a debate about the application of direct road charges – based on vehicle mass, distance, location and potentially in some place congestion (?) – to deal with road costs. From at least the time of the Henry tax review (2010) it has been (almost) universally assumed such direct charges would entirely replace fuel excise and registration.[[22]](#footnote-22)

An implication of treating the Credit as a subsidy is treating the excise as other than a road-user charge. This would imply the (an?) excise would be retained – levied in addition to – direct charges aimed at dealing with road costs. Such a suggestion would derail any prospect of road reform.

### 5.4 Curing the curio

Over recent years, a series of articles at the jadebeagle and John Menadue’s Pearls and Irritations demonstrated road spending exceeds road revenues by billions of dollars annually. For 2019-20, the most recent reported year, excess spending was $8.9bn.[[23]](#footnote-23)

Given nearly all road use is by fossil fuel vehicles, this is the most substantial, incontrovertible, arithmetic subsidy to fossil fuel use. It should have been included in the Institute’s calculations.

If it was included, the result of the arithmetic would be much closer to the implication most readers would draw from the Institute’s report – fossil fuel use is subsidised in Australia. It would have provided a common-sense conclusion: the cut in the excise significantly increased fossil fuel subsidies.

## Concluding comments

Some may claim the Institute’s report is justified because it simply says there are fossil fuel subsidies in Australia. I disagree.

Most readers would think the report says fossil fuels are subsidised. That is not supportable by the report, and is likely not supportable by even a proper arithmetic approach to subsidy assessment.

Apart from the faulty approach used by the Institute – wrongly counting a rebate as a fossil fuel subsidy, ignoring a massive subsidy to road users who are the largest users of liquid fossil fuels – another peculiar matter was publication of the report just prior to the Budget.

The timing was odd given widespread speculation the Budget would announce an excise reduction - which would be expected to demonstrate the invalidity of the Institute’s approach.[[24]](#footnote-24)

Beyond this, the international situation after Russia’s invasion of Ukraine has drawn attention to energy security. There appears to be regret within at least Europe about nations’ reliance on Russian gas and oil – most of all by Germany. In that environment, urgent attention is likely to be paid to diversification of sources of fossil fuels, including greater domestic production and storage. Another effect of the invasion has been a contribution to soaring coal prices – thermal and coking coal being at record levels in March 2022.[[25]](#footnote-25)

Does this matter? In my view: yes. To the extent the Australia Institute seeks to influence public policy – and it claims to be influential – it should do so on the basis of fact and balance.

Public policy questions regarding fossil fuel policy are held to be fundamentally important. However, the report falls far short of the standard that should be expected in contributions to the debate.

The report could be interpreted as an argument to reduce fuel excises, as this is apparently a politically acceptable way of reducing what the report considers to be fossil fuel subsidies. While release of the report and the Government’s action are likely coincidental, it – like the criticisms of the Prime Minister for not ‘holding a hose’ is another example of good intentions paving the way to hell.

Here the intention is presumably to facilitate transition to a low carbon society. That transition needs to increase the price of carbon emissions relative to other activities.

The argument for the price increase should be modelled – what is the optimum price of carbon?

In the case of the fuel excise the public policy question is: the optimum tax on fuels taking into account a carbon price and road usage costs. It is all but certain the road-use excise prior to the recent cuts was significantly different from that optimum. The argument constructed by the Institute suggests exactly the opposite. In that it is particularly unfortunate.

J Austen

6 April 2022

## Appendix: charts and better charts

Both the Australia Institute and the Fuel Tax Credits Alliance produced charts that could easily mislead.

### Australia Institute

The Australia Institute’s report included the following chart 1.

**Chart 1: Australia Institute fossil fuel share of Fuel Excise Credit**



The last two sentences in the above text indicate why the chart might mislead readers to conclude the main ‘beneficiary’ of the Credit is fossil fuel production.

The chart could be read as distinguishing between (what the Institute considers to be) subsidies for production and for consumption – as fossil fuel industries are engaged in production while other industries (including in mining) are only consume of fossil fuels.

The text of the report refers to emissions. These arise from consumption of fossil fuels and in some industries – such as agriculture – other factors.

The report does not present a chart showing how mining, or fossil fuel mining, compares with other sectors in claiming Credits. It does present a series of charts showing broad industry allocation of Budget subsidies – excluding tax concessions e.g., excise Credits – for fossil fuels. Unsurprisingly these show (production) subsidies for fossil fuels are largely used by fossil fuel producers.

A less-likely-to-mislead presentation of ‘fossil fuel industry’ use of the Credit is Chart 2.

**Chart 2: Fuel Excise Credit use by ‘fossil fuel’ and ‘not fossil fuel’ industries 2019-20**

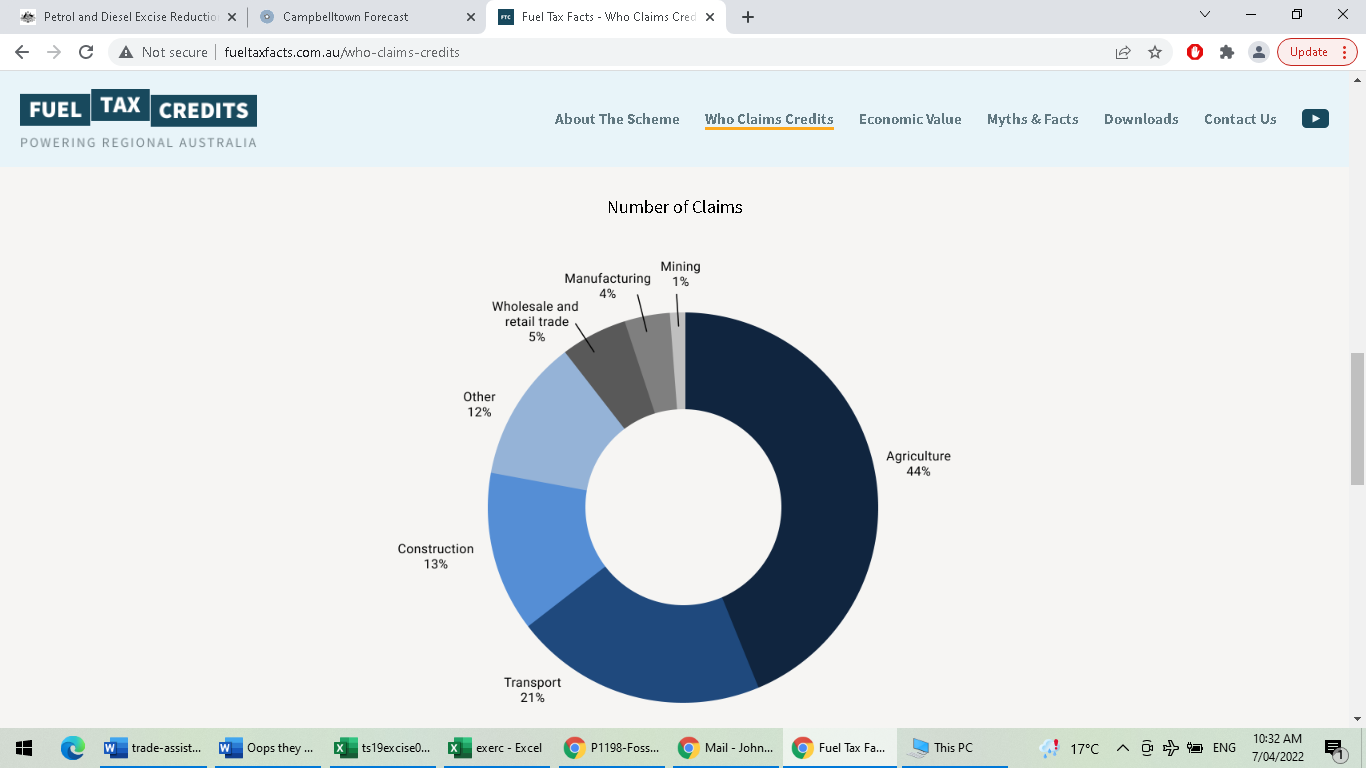
Source: Excise, Table 4, at <https://data.gov.au/data/dataset/taxation-statistics-2018-19/resource/4b2139a1-395b-47e4-83bb-f1de7fb0ed8b?inner_span=True>

### Fuel Tax Credit Alliance

The Alliance produced a chart that shows the proportion of claimants, by sector, of excise Credits – Chart 3 below.

It did not produce a chart showing the amount or proportions of Credits claimed by the sectors, and thus suffers the same likely-to-mislead deficiency as the Institute’s report about relative sectoral use of Credits. A fuller explanation requires a chart showing the distribution of value of credits.

**Chart 3: Claimants of Fuel Excise Credits, by sector [[26]](#footnote-26)**



Industry use of Credits is in chart 4.

**Chart 4: Fuel Excise Credits, by sector 2019-20**

Source: Excise, Table 4, at <https://data.gov.au/data/dataset/taxation-statistics-2018-19/resource/4b2139a1-395b-47e4-83bb-f1de7fb0ed8b?inner_span=True>

Taken with Chart 4, the main implications of the Alliance’s Chart 3 can be seen to relate to business sizes.

The mining industry has relatively few, large claimant firms – 1 percent of claimants for 45 percent of the value of claims.

The large number of agricultural claimaints – 44 percent of claimaints for 11 percent of the value of claims - suggest an importance of the Credit to a large number of businesses in regional areas.

Thus, the Institute’s comment that support for the Credit is led by the mining industry should be expanded to acknowledge the likelihood of widespread support in regional Australia.

1. <https://www.thejadebeagle.com/facts-and-minds.html> [↑](#footnote-ref-1)
2. <https://australiainstitute.org.au/wp-content/uploads/2022/03/P1198-Fossil-fuel-subsidies-2022-WEB.pdf>

   <https://australiainstitute.org.au/post/australian-fossil-fuel-subsidies-surge-to-11-6-billion-in-2021-22/> [↑](#footnote-ref-2)
3. From the Budget papers: *‘Policy decisions are expected to reduce excise and customs duty receipts by $4.1 billion over the 4 years to 2025‑26. This largely reflects the measure Addressing Cost of Living Pressures – temporary reduction in fuel excise, which will help reduce the burden of higher fuel prices by halving the excise for 6 months from 30 March 2022’.*  [↑](#footnote-ref-3)
4. In full: *‘The Minerals Council, an industry body, has also argued that the credit should not be counted as subsidy.*

   *This argument assumes that fuel excise represents a genuine "hypothecated" tax that should not be borne by non-road users, rather than a broader revenue raising tax imposed by the Federal Government.*

   *The OECD's inventory of support for fossil fuels, however, treats Australian fuel tax credits as a subsidy. It notes, "the mining sector is a prime beneficiary" of these credits, so "the measure could arguably be considered producer support since it lowers the cost of inputs used in the coal-mining and hydrocarbon sectors".*

   *At the very least, the rebate serves to cut the cost of fuel inputs for fossil fuel industries, representing a transfer from taxpayers in the form of forgone revenue that effectively lowers the cost of production.*

   *Miranda Stewart, Director of the Tax Group at Melbourne University Law School, said in her view the fuel tax credit represented a subsidy.*

   *"The diesel fuel rebate reduces the cost of fuel business inputs for mining and agriculture, which are some of our largest emitting sectors, and this enables them to sell ultimately to export and domestic markets at cheaper prices so in this sense, there is a subsidy," Professor Stewart said.’*<https://www.abc.net.au/news/2020-07-29/fact-check-matt-canavan-fossil-fuel-industry-subsidies/12496310> [↑](#footnote-ref-4)
5. It may be possible to treat foregone revenue – such as a tax credit - as a subsidy in an alternative to arithmetic calculations – modelling. For example, estimation of optimum taxes and deviation of actual taxes from the optimum such as used in work for the IMF. In that case, a reduction in an excise which was already below the optimum would (correctly) be shown as an increase in subsidies. This cannot be applied to arithmetic involving the fuel excise because that tax is not set at an ‘optimum’ level – as demonstrated in the Budget papers. [↑](#footnote-ref-5)
6. <http://fueltaxfacts.com.au/myths-facts> [↑](#footnote-ref-6)
7. NSW $1.6bn, Qld $2.7bn <https://www.budget.nsw.gov.au/sites/default/files/2021-06/4.%20Review-BP1%20Budget%202021-22.pdf>

   <https://budget.qld.gov.au/files/BP2_4._Revenue.pdf> [↑](#footnote-ref-7)
8. Excise, Table 4, at <https://data.gov.au/data/dataset/taxation-statistics-2018-19/resource/4b2139a1-395b-47e4-83bb-f1de7fb0ed8b?inner_span=True> [↑](#footnote-ref-8)
9. <https://www.bitre.gov.au/publications/2021/australian-infrastructure-and-transport-statistics-yearbook-2021> [↑](#footnote-ref-9)
10. Negating Professor Stewart’s comment in note 4 (above) - see note 23 (below). [↑](#footnote-ref-10)
11. <https://www.thejadebeagle.com/facts-and-minds.htm;> <https://www.artc.com.au/uploads/ART10515_Annual_report_2020_21_cover_and_spreads_V10_WEB-1.pdf> [↑](#footnote-ref-11)
12. <http://ncp.ncc.gov.au/docs/Competition%20Principles%20Agreement,%2011%20April%201995%20as%20amended%202007.pdf>

    A lead example of failure to invest was NSW’s Rail Infrastructure Corporation in the Hunter Valley. This was among the reasons for the lease of infrastructure to the Commonwealth’s Australian Rail Track Corporation. An implicit capital constraint from public sector ownership has been used as an argument for privatisation – for example of FreightCorp, National Rail Corporation and several ports around Australia. [↑](#footnote-ref-12)
13. <https://www.pc.gov.au/research/ongoing/trade-assistance/2019-20> [↑](#footnote-ref-13)
14. For example: the report’s claimed $11.6bn, less $1.2bn in lower Credits, less $4.3bn in coal royalties, less $18.2bn in fuel excise receipts yields $12.1bn in net taxes. [↑](#footnote-ref-14)
15. <https://www.industry.gov.au/data-and-publications/national-greenhouse-gas-inventory-quarterly-update-september-2021>

    <https://www.pwc.com.au/government/Australias-road-to-zero-transport-emissions_1.pdf>

    <https://climateanalytics.org/publications/2019/australia-climate-factsheets-vehicle-emissions/> [↑](#footnote-ref-15)
16. <https://www.uow.edu.au/media/2020/transport-is-letting-australia-down-in-the-race-to-cut-emissions.php> [↑](#footnote-ref-16)
17. <https://www.imf.org/en/Publications/CR/Issues/2019/02/13/Australia-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-46612> [↑](#footnote-ref-17)
18. As the Credit is only one third of total fuel excise collections. [↑](#footnote-ref-18)
19. <https://www.msn.com/en-au/motoring/news/your-tax-break-on-wheels/ar-AAVRxQg?ocid=mailsignout&li=AAgfYrC> [↑](#footnote-ref-19)
20. General *‘The provision of infrastructure represents a major subsidy to fossil fuel industries in Australia. Governments spend significant amounts of money on ports, railways, pipelines, power stations and other infrastructure that assists the production, transport and consumption of fossil fuels. While the users of this infrastructure often pay to use it, and the management bodies may return surplus money to the government that owns the asset….*’

    Gas roads: $273m. Ship lift $190m. [↑](#footnote-ref-20)
21. Petrol excise was introduced in 1929, diesel in 1957. An exemption certificate scheme for off-road diesel use existed until 1982, and was replaced by the (present) rebate mechanism due to the scheme being ‘widely abused’. However, at that time rebates were not available for all off road uses – notably they were not available for railways. Thus, it could be claimed the excise was not related to road use. This changed with the New Tax System in 2000, after the rail industry claimed it was part paying for the roads against which it competes: <https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp0001/01RP06>.

    The Australia’s Future Tax System report (Henry Review, 2010) said that the fuel excise and registration charges could be viewed as a two-part tariff for road use - [https://treasury.gov.au/sites/default/files/2019-10/afts\_final\_report\_part\_2\_vol\_2\_consolidated.pdf at p.375](https://treasury.gov.au/sites/default/files/2019-10/afts_final_report_part_2_vol_2_consolidated.pdf%20at%20p.375). This was in the context of considering whether there were better ways of dealing with road costs, with a suggestion of phasing out the excise in favour of direct road charges – recommendation 65, A Senate Committee referring to the excise as a road transport tax <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Former_Committees/fuelenergy/second_interim/c03>. At the time – but not now – excise and registration revenues exceeded road spending. [↑](#footnote-ref-21)
22. E.g., <https://www.thejadebeagle.com/roads.html>

    <https://www.thejadebeagle.com/road-reform.html> [↑](#footnote-ref-22)
23. <https://www.thejadebeagle.com/roads-deficit-2019-20.html> [↑](#footnote-ref-23)
24. <https://www.abc.net.au/news/2022-03-27/josh-frydenberg-hints-at-fuel-excise-cut-in-federal-budget/100942580> [↑](#footnote-ref-24)
25. <https://www.nytimes.com/2022/04/05/business/germany-russia-oil-gas-coal.html>

    Coal: <https://www.spglobal.com/commodity-insights/en/market-insights/latest-news/coal/031022-australias-record-high-thermal-coal-prices-here-to-stay-amid-sweeping-european-demand>

    <https://publications.industry.gov.au/publications/resourcesandenergyquarterlymarch2022/index.html> [↑](#footnote-ref-25)
26. <http://fueltaxfacts.com.au/who-claims-credits> [↑](#footnote-ref-26)