

20 April 2011

The Secretary
Senate Select Committee on the Scrutiny of New Taxes
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See Distribution.

LPG AUSTRALIA

SUBMISSION TO

THE SENATE SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES

- References:
- A. Australian Government - Implementation of Alternative Fuels Taxation Policy Discussion Paper, dated October 2010
 - B. LPG Australia Submission to Treasury – Implementation of Alternative Fuels Taxation Policy dated 15 November 2010
 - C. LPG Australia Submission to Treasury – Implementation of Alternative Fuels Taxation Policy dated 20 December 2010
 - D. LPG Australia Supplementary Submission to Treasury and ATO – Implementation of Alternative Fuels Taxation Policy dated 15 November 2010
 - E. LPG Australia Confidential Submission - Exposure Draft Explanatory Memorandum and Subsequent Confidential Treasury Paper dated 18 February 2011
 - F. The Senate – Select Committee on the Scrutiny of New Taxes – Request for Submissions dated 4 April 2011

Preamble

In response to the Senate Select Committee on Scrutiny of New Taxes (Committee) request for submissions in relation to the *Inquiry on Carbon Tax* and the related Committee Terms of Reference, vide Reference F, the Australian Liquefied Petroleum Gas Association (LPG Australia) wishes to provide a *Submission* on the matter of the Implementation of Alternative Fuels Taxation Policy and matters associated with the introduction of a Carbon Tax.

LPG Australia is Australia's leading industry association and national peak body responsible for the development and growth of the Liquefied Petroleum Gas (LPG) industry for the benefit of members, consumers and the broader community. LPG Australia has over two hundred members including some of Australia's largest energy companies such as: Wesfarmers Kleenheat Gas, Elgas Ltd and Vitalgas. Small to medium size manufacturers and technology companies are also well represented

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through our membership base. These include Orbital Autogas Systems, IMPCO Engine Technologies, CEM International, D. J. Batchen and many others.

The Association also indirectly represents over 3.5 million Australian consumers of LPG.

Please note that a number of LPG Australia members may also prepare independent submissions to the Committee on the proposed taxation policies.

This *Submission* follows previous submissions LPG Australia has provided to the Australian Government on the implications that the introduction of an excise on LPG will have on the industry and consumer. These include the submissions on the *Carbon Pollution Reduction Scheme Green Paper*, the *Henry Tax Review* in 2009, and the *LPG Australia Submissions to Treasury – Implementation of Alternative Fuels Taxation Policy*. These Submissions are listed at References B – E and provide a broad overview on the critical impact of taxation on the use of LPG as an automotive and traditional fuel.

The *Submission* builds on the specific tax issues recently addressed with Treasury and the ATO, and provides further context in support of the LPG Industry's policy position.

LPG Australia wishes to re-enforce in the strongest possible terms that a clear disconnect exists between the development of a comprehensive alternative fuels policy and the proposed taxation framework, and the subsequent strategic and negative impact on the nation's energy security and carbon reduction polices, and the LPG industry and consumer.

The imposition of the proposed taxation framework in the absence of comprehensive alternative fuels policy will not deliver sound Government or public policy outcomes, and will be economically damaging in short and medium term.

Recommendations

In relation to the implementation of excise (tax) on Alternative Fuels, and specifically LPG, it is the LPG industry's position that no tax is imposed on LPG until LPG achieves 10% of the Australian light vehicle fuel market, thereby ensuring that the industry and consumer can invest in the long-term development of this exceptional energy.

In relation to the implementation of a Carbon Tax on Alternative Fuels, and specifically LPG, it is the LPG Industry's position that:

- a. the industry supported the introduction of a CPRS scheme, but as yet has no policy on the proposed Carbon Tax due to lack of sufficient information;
- b. any imposition of a carbon tax or price on LPG should occur in the context of the imposition of the tax on all fuels based on their carbon content; and
- c. if there is an offset to the carbon tax given to any competing fuel (such as an offsetting excise reduction to petrol), LPG should receive identical treatment. While an offset for petrol is the most discussed possibility, we also note that LPG competes with electricity in stationary energy market segments - any offset given, for example, to coal fired electricity should be applied identically to LPG.

10% of the Australian light vehicle fuel market is an eminently achievable goal. LPG Australia has presented Government with a comprehensive '*Industry Strategic Road Map*' that details the Industry objectives, market strategies and investment profile out to 2030.

LPG Australia – Submission to Senate Inquiry
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Thank you for the opportunity to provide a Submission to the Committee. Should you require further information please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M Carmody', with a large loop at the start and a horizontal line at the end.

Michael Carmody
Chief Executive Officer

Distribution: Australian Government – The Hon. Bill Shorten Minister for Finance and Superannuation
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