Parliamentary
Budget Office

End handouts for coal, oil and gas companies	
Party:	Australian Greens

Summary of proposal:

The proposal has 6 components that would end subsidies for the coal mining, oil and gas industries.

- **Component 1** would abolish fuel tax credits (FTCs) for all industries except agriculture.
- **Component 2** would abolish accelerated asset depreciation for the coal mining, oil, and gas industries as well as for aircraft and motor vehicles (except for agricultural and zero-emission vehicles).
- **Component 3** would abolish immediate deductions for exploration and prospecting expenses in the coal mining, oil, and gas industries.
- **Component 4** would withdraw all government payments to oil refineries.
- **Component 5** would withdraw all government payments to the Beetaloo Gas Basin and any other budget measures associated with funding a 'gas-fired recovery' in Australia.
- **Component 6** would:
  a) reverse the $300 million allocated to projects in Darwin under the Energy Security and Regional Development Plan
  b) reverse the $50.3 million allocated to gas pipelines under the National Gas Infrastructure Plan
  c) reverse the funding allocated to the five gas projects under the Underwriting New Generation Investments Program.

The proposal would commence from 1 July 2022.

Costing overview

The proposal would be expected to increase the fiscal balance by around $36,960 million and the underlying cash balance by around $36,560 million across the 2022-23 Budget forward estimates. The fiscal balance impact reflects an increase in revenue of $2,041 million and a decrease in expenses of $34,919 million.

The proposal would have an ongoing impact beyond the 2022-23 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2032-33 is provided at Attachment A.

The fiscal and underlying cash balances differ because of timing differences between when FTC expense liabilities arise and when the associated cash transaction occurs. Liabilities arise entirely within the year that vehicle owners purchase fuel, but they receive FTCs after lodging their business activity statement, some of which are lodged in the next financial year.

The Department of Industry, Science, Energy and Resources (DISER) advised that funds are not allocated to the Underwriting New Generation Investments Program (Component 6(c)) because, while the Commonwealth underwrites eligible projects, it does not issue direct payments. Accordingly, expenses would only arise in instances of monetary loss, meaning that reversing the program would not have an effect on the budget balances. Furthermore, the Department of Infrastructure, Transport, Regional Development and Communications (Infrastructure) advised that the funding profiles for projects in Darwin under the Energy Security and Regional Development Plan (Component 6(a)) are not available. Consequently, the Parliamentary Budget Office (PBO) has assumed that the funds allocated to these projects would be distributed across the 2022-23 Budget forward estimates proportionate to the distribution of total funds under the program, with the remainder of the funds distributed evenly across the medium term.

The financial implications in this response are sensitive to fossil fuel prices, technological developments, other developments that affect fuel consumption, and the trajectory of FTC claims and assets subject to accelerated depreciation. Growth in the exploration and prospecting component of the proposal is highly uncertain and likely to vary significantly, reflecting the nature of prospecting activity in the mining industry.

Removing FTCs and accelerated asset deprecation as specified in the proposal could have effects on the broader economy, particularly for the mining and transport industries because it would increase costs of production, influence investment decisions, and increase the prices paid by consumers. The PBO has not factored these effects into this response.

Table 1: Financial implications ($m)[(a)(b)]

	2022-23	2023-24	2024-25	2025-26	**Total to 2025-26**
Fiscal balance	9,507.3	8,542.2	9,196.9	9,713.9	**36,960.3**
Underlying cash balance	9,407.3	8,442.2	9,096.9	9,613.9	**36,560.3**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

Component 1 – Abolish FTCs for all industries except agriculture

- Businesses would not change their fuel consumption as a result of the proposal because the demand for fuel is relatively inelastic across the medium term.
- Tax deductions for fuel expenses would increase after the removal of FTCs.
- Affected entities would be taxed at the company tax rate of 30%.

Component 2 – Abolish accelerated asset depreciation for the coal mining, oil, and gas industries as well as for aircraft and motor vehicles

- There would be no change in the timing and level of investments in assets because businesses would still need to invest in the absence of accelerated depreciation.

Component 3 – Abolish immediate deductions for exploration and prospecting expenses in the coal mining, oil, and gas industries

- There would be no change in the timing and level of investments in exploration and prospecting because businesses would still need to invest in the absence of deductions.

Component 4 – Withdraw all government payments to oil refineries

- In the absence of the proposal, there would be no additional payments to oil refineries after 1 July 2022.

Component 5 – Withdraw all government payments to the Beetaloo Gas Basin and any other budget measures associated with funding a 'gas-fired recovery' in Australia

- Payments made before the proposal start date would not be reversable.

Component 6 – Reverse 2022-23 Budget measures related to the coal, oil and gas industries

- Funds that are uncommitted as at the 2022-23 Budget would remain uncommitted until the proposal start date, including the $300 million allocated to projects in Darwin under the Energy Security and Regional Development Plan.
- The total amount of uncommitted funds as at the 2022-23 Budget would be reversable.

Methodology

Component 1 – Abolish FTCs for all industries except agriculture

- Component 1 was estimated by projecting FTC expenses across the medium term, which were then adjusted to account for expected claims from agricultural entities.
- Because FTCs reduce fuel-related expenses that eligible entities can deduct, abolishing FTCs would increase deductions and reduce company tax revenues.
  - The decrease in company tax revenue was estimated by multiplying the expected decrease in FTCs by the assumed 30% company tax rate, which was then adjusted to the reflect the difference between when liabilities would arise and when payments would be made.

Component 2 – Abolish accelerated asset depreciation for the coal mining, oil, and gas industries as well as for aircraft and motor vehicles

- Component 2 was estimated as the difference in company tax collected under the proposed deduction arrangements and under ordinary depreciation arrangements.

Component 3 – Abolish immediate deductions for exploration and prospecting expenses in the coal mining, oil, and gas industries

- Component 3 was estimated as the difference in company tax collected under the proposed deduction arrangements and under ordinary deduction arrangements.

Component 4 – Withdraw all government payments to oil refineries

- Component 4 was estimated based on the 2020-21 Budget measure *JobMaker Plan – Gas-fired Recovery*.

– The split between administered and departmental funds was taken from DISER's 2020-21 Portfolio Budget Statements (PBS).

Component 5 – Withdraw all government payments to the Beetaloo Gas Basin and any other budget measures associated with funding a 'gas-fired recovery' in Australia

- Component 5 was estimated based on the 2020-21 Budget measures *JobMaker Plan – Gas-fired Recovery* and *JobMaker Plan – Gas-fired Recovery – Delivering Accelerated Exploration in the Beetaloo Sub-basin.*
  - The split between administered and departmental expenses was taken from DISER's 2020-21 Portfolio Budget Statements (PBS).

Component 6 – Reverse 2022-23 Budget measures related to the coal, oil and gas industries

- Component 6(a) was estimated based on the funding profile of the Energy Security and Regional Development Plan reported in Infrastructure's 2022-23 PBS.
- Component 6(b) was estimated based on the administered and departmental funding profiles provided by DISER.
- Component 6(c) was assumed to be nil in accordance with advice provided by DISER.

The financial implications of all components were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.[1]

Data sources

The Treasury provided the relevant tax benchmarks and variations statement models on business expenditure from depreciating assets and deductions related to exploration and prospecting.

The Treasury provided projections for fuel excise revenue as at the 2022-23 Budget.

The Australian Taxation Office provided estimates of fuel tax credit expenses as at the 2022-23 Budget.

The Department of Industry, Science, Energy and Resources provided the funding profile of the National Gas Infrastructure Plan as at the 2022-23 Budget.

Australian Taxation Office (ATO), *Taxation statistics 2018-19*, ATO, Australian Government, 2020, accessed 7 October 2021.

Australian Government, *2020-21 Budget*, Australian Government, 2020, accessed 7 October 2021.

Australian Government, *2020-21 Mid-Year Economic and Fiscal Outlook*, Australian Government, 2020, accessed 7 October 2021.

Australian Government, *2021-22 Budget*, Australian Government, 2021, accessed 7 October 2021.

The Treasury, *2020-21 Portfolio Budget Statements: Budget Related Paper No. 1.9*, The Treasury, Australian Government, 2020, accessed 7 October 2021.

The Treasury, *2020-21 Portfolio Additional Estimates Statements*, The Treasury, Australian Government, 2021, accessed 7 October 2021.

[1] https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Costings_and_budget_information

The Department of Infrastructure, Transport, Regional Development and Communications (DITRDC), *2022-23 Portfolio Budget Statements*, DITRDC, Australian Government, 2022, accessed 22 April 2022.

Attachment A – End handouts for coal, oil and gas companies – financial implications

Table A1: End handouts for coal, oil and gas companies – Fiscal balance ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Revenue													
Tax revenue													
Component 1	-	-2,310.0	-2,470.0	-2,650.0	-2,840.0	-3,030.0	-3,170.0	-3,320.0	-3,480.0	-3,710.0	-3,840.0	***-7,430.0***	***-30,820.0***
Component 2	1,380.0	1,720.0	1,990.0	2,200.0	2,380.0	2,500.0	2,530.0	2,530.0	2,510.0	2,480.0	2,470.0	***7,290.0***	***24,690.0***
Component 3	147.0	745.0	753.0	536.0	521.0	506.0	491.0	474.0	457.0	447.0	463.0	***2,181.0***	***5,540.0***
Total – revenue	**1,527.0**	**155.0**	**273.0**	**86.0**	**61.0**	**-24.0**	**-149.0**	**-316.0**	**-513.0**	**-783.0**	**-907.0**	**2,041.0**	**-590.0**
Expenses													
Administered													
Component 1	7,800.0	8,300.0	8,900.0	9,600.0	10,200.0	10,600.0	11,100.0	11,700.0	12,500.0	12,900.0	13,500.0	***34,600.0***	***117,100.0***
Component 4	92.6	62.6	3.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	***161.9***	***181.5***
Component 5	39.9	2.9	-	-	-	-	-	-	-	-	-	***42.8***	***42.8***
Component 6 (a)	4.5	8.7	19.5	24.7	33.8	33.8	33.8	33.8	33.8	33.8	33.8	***57.4***	***294.0***
Component 6 (b)	25.2	-	-	-	-	-	-	-	-	-	-	***25.2***	***25.2***
Component 6 (c)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – administered	***7,962.2***	***8,374.2***	***8,923.4***	***9,627.5***	***10,236.6***	***10,636.6***	***11,136.6***	***11,736.6***	***12,536.6***	***12,936.6***	***13,536.6***	***34,887.3***	***117,643.5***
Departmental													
Component 4	1.7	1.8	-	-	-	-	-	-	-	-	-	***3.5***	***3.5***
Component 5	1.2	0.2	-	-	-	-	-	-	-	-	-	***1.4***	***1.4***
Component 6 (a)	0.5	0.5	0.5	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0.6	***1.9***	***6.1***
Component 6 (b)	14.7	10.5	-	-	-	-	-	-	-	-	-	***25.2***	***25.2***
Component 6 (c)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total – departmental	***18.1***	***13.0***	***0.5***	***0.4***	***0.6***	***0.6***	***0.6***	***0.6***	***0.6***	***0.6***	***0.6***	***32.0***	***36.2***
Total – expenses	**7,980.3**	**8,387.2**	**8,923.9**	**9,627.9**	**10,237.2**	**10,637.2**	**11,137.2**	**11,737.2**	**12,537.2**	**12,937.2**	**13,537.2**	**34,919.3**	**117,679.7**
Total (excluding PDI)	**9,507.3**	**8,542.2**	**9,196.9**	**9,713.9**	**10,298.2**	**10,613.2**	**10,988.2**	**11,421.2**	**12,024.2**	**12,154.2**	**12,630.2**	**36,960.3**	**117,089.7**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

\- Indicates nil.

Table A2: End handouts for coal, oil and gas companies – Underlying cash balance ($m)[(a)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
Receipts													
Tax receipts													
Component 1	*-*	*-2,310.0*	*-2,470.0*	*-2,650.0*	*-2,840.0*	*-3,030.0*	*-3,170.0*	*-3,320.0*	*-3,480.0*	*-3,710.0*	*-3,840.0*	***-7,430.0***	***-30,820.0***
Component 2	*1,380.0*	*1,720.0*	*1,990.0*	*2,200.0*	*2,380.0*	*2,500.0*	*2,530.0*	*2,530.0*	*2,510.0*	*2,480.0*	*2,470.0*	***7,290.0***	***24,690.0***
Component 3	*147.0*	*745.0*	*753.0*	*536.0*	*521.0*	*506.0*	*491.0*	*474.0*	*457.0*	*447.0*	*463.0*	***2,181.0***	***5,540.0***
Total – receipts	**1,527.0**	**155.0**	**273.0**	**86.0**	**61.0**	**-24.0**	**-149.0**	**-316.0**	**-513.0**	**-783.0**	**-907.0**	**2,041.0**	**-590.0**
Payments													
Administered													
Component 1	*7,700.0*	*8,200.0*	*8,800.0*	*9,500.0*	*10,100.0*	*10,600.0*	*11,100.0*	*11,600.0*	*12,400.0*	*12,800.0*	*13,400.0*	***34,200.0***	***116,200.0***
Component 4	*92.6*	*62.6*	*3.9*	*2.8*	*2.8*	*2.8*	*2.8*	*2.8*	*2.8*	*2.8*	*2.8*	***161.9***	***181.5***
Component 5	*39.9*	*2.9*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***42.8***	***42.8***
Component 6 (a)	*4.5*	*8.7*	*19.5*	*24.7*	*33.8*	*33.8*	*33.8*	*33.8*	*33.8*	*33.8*	*33.8*	***57.4***	***294.0***
Component 6 (b)	*25.2*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***25.2***	***25.2***
Component 6 (c)	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***-***	***-***
Total – administered	***7,862.2***	***8,274.2***	***8,823.4***	***9,527.5***	***10,136.6***	***10,636.6***	***11,136.6***	***11,636.6***	***12,436.6***	***12,836.6***	***13,436.6***	***34,487.3***	***116,743.5***
Departmental													
Component 4	*1.7*	*1.8*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***3.5***	***3.5***
Component 5	*1.2*	*0.2*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***1.4***	***1.4***
Component 6 (a)	*0.5*	*0.5*	*0.5*	*0.4*	*0.6*	*0.6*	*0.6*	*0.6*	*0.6*	*0.6*	*0.6*	***1.9***	***6.1***
Component 6 (b)	*14.7*	*10.5*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***25.2***	***25.2***
Component 6 (c)	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	***-***	***-***
Total – departmental	***18.1***	***13.0***	***0.5***	***0.4***	***0.6***	***0.6***	***0.6***	***0.6***	***0.6***	***0.6***	***0.6***	***32.0***	***36.2***
Total – payments	**7,880.3**	**8,287.2**	**8,823.9**	**9,527.9**	**10,137.2**	**10,637.2**	**11,137.2**	**11,637.2**	**12,437.2**	**12,837.2**	**13,437.2**	**34,519.3**	**116,779.7**
Total (excluding PDI)	**9,407.3**	**8,442.2**	**9,096.9**	**9,613.9**	**10,198.2**	**10,613.2**	**10,988.2**	**11,321.2**	**11,924.2**	**12,054.2**	**12,530.2**	**36,560.3**	**116,189.7**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

\- Indicates nil.

Table A3: End handouts for coal, oil and gas companies – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)]

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	**Total to 2025-26**	**Total to 2032-33**
Fiscal balance	*110.0*	*310.0*	*520.0*	*740.0*	*1,000.0*	*1,290.0*	*1,620.0*	*2,000.0*	*2,430.0*	*2,920.0*	*3,520.0*	***1,680.0***	***16,460.0***
Underlying cash balance	*90.0*	*290.0*	*490.0*	*720.0*	*960.0*	*1,250.0*	*1,580.0*	*1,950.0*	*2,380.0*	*2,860.0*	*3,450.0*	***1,590.0***	***16,020.0***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary[2].

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

[2] Online budget glossary – Parliament of Australia (aph.gov.au)