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Inquiry into the provisions of the:
Exercise Tariff Amendment (Fuel Indexation) Bill 2014
Customs Tariff Amendment (Fuel Indexation) Bill 2014
Fuel Indexation (Road Funding) Bill 2014
Fuel Indexation (Road Funding) Special Account Bill 2014

The Sustainable Transport Coalition of WA (STCWA) strongly supports fuel indexation, and strongly recommends it be hypothecated to walking, cycling and public transport as well as for roads in general.

The basic reason is that transport fuels are almost certainly going to get less freely available in future, so steadily increasing their price, and using those funds to provide for alternatives, shows good governance. This is good governance not only because it shows leadership in reducing the reasonably foreseeable risk of fuel shortages; it is also good because it will help reduce our carbon footprint, will help reduce traffic congestion and will have a positive health impact (especially the walking and cycling) on people and, arguably, on local economies.

And it is good governance in that, if we raise prices now we retain that money in Australia whereas, if we simply wait for OPEC to raise prices, then that money goes overseas. Sure, OPEC will most likely raise prices in future despite anything Australia does. But, if we raise Australian prices steadily, by having a clear fuel tax escalator, then it gives people warning of future price increases, and encourages them to plan for more fuel-efficient vehicles and houses closer to public transport. Hence less Australian money will be going to OPEC in future.

More information on why we may expect fuels to become less freely available is given below.

Geologists recognise that many of the world's giant oilfields were found around 50 to 60 years ago. They have been declining, by about 6% pa according to estimates from the International Energy Agency (IEA).

New fields are still being brought into production and more are still being discovered, but most of them now are small, rather than the super-giants which have supplied the world for the last half-century or more. The new fields are not matching the ever-increasing demand from China, India and the other developing countries. The IEA has estimated that the world will need extra production equivalent to four additional Saudi Arabias just to support current consumption levels for the next decade and a half. The chances of finding one are slim, let alone four. The investment required just to hold production steady is

enormous. *"Compensating for output declines absorbs more than 80% of upstream oil and gas spending"*

The NSW automobile club, NRMA, warned in two reports by Air Vice Marshall John Blackburn that Australia's oil vulnerability is increasing. Already 91% of the fuel that powers our cars, trucks and planes is imported, directly or indirectly. If imports are interrupted for any reason, Australia has only about three weeks of fuel on hand.

For some reason, Federal and State government long term transport planning is quite casual about forecasts of global oil production declines. But the major oil companies, like Shell, BP and Exxon are facing dwindling oil reserves and rapidly increasing costs of exploration and production. Major oil producing countries are using more and more of their oil domestically, leaving less to be exported. Indonesia, for instance, was for years a significant exporter and member of OPEC. Dwindling production and increasing domestic consumption means that Indonesia is now an oil importer, and has left OPEC.

The US has increased production from shale oil by fracking tight oil formations, but forecasts from the US Energy Information Agency (EIA) suggests that, rather than solving the world's problems, US oil imports will start rising again within a few years. The EIA recently revised downwards, by a whopping 96%, its glowingly optimistic forecast of how much shale oil would be produced from the Californian Monterey shale. So California's predicted shale oil boom will not eventuate. This cuts the estimate of producible shale oil in the U.S. by 60%.

Australia's oil production reached its peak in 2000 and has been declining ever since. Bass Strait oil has been very largely exhausted and the NW Shelf production has been falling steadily.

A CSIRO economic study had a worst-case scenario of $8/litre fuel in ten years. Anything like this level of oil price or oil shortages will make Australia's transport planning look very short-sighted.

A return to fuel indexation would be a small but useful move by which the government could show at least some action.

Yours sincerely

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References

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