



22 September 2011

Committee Secretary
Joint Select Committee on Australia's
Clean Energy Future Legislation
PO Box 6021
Parliament House
Canberra ACT 2600

Email: jscacefl@aph.gov.au

Dear Sir/Madam

Inquiry into Australia's Clean Energy Future

The Qantas Group has been closely engaged in the development of the carbon price mechanism and welcomes the opportunity to participate in the inquiry into Australia's Clean Energy Future Legislation.

We are committed to reducing our environmental impact and have a comprehensive strategy for doing so, in line for the global industry goals established by the International Air Transport Association. Initiatives in place to reduce emissions include greater operational and fuel efficiency, investing in new aircraft technology, and promoting the development and commercialisation of sustainable aviation fuels.

The Qantas Group strongly believes that the development of a sustainable aviation fuels industry in Australia must be part of the industry's commitment to move towards a low carbon economy. The ability to leverage the Australian refining sector's skills and technological expertise will be critical in achieving this goal.

Against this background, the recently announced Memorandum of Understanding (MoU) between the Australian and US governments on developing sustainable aviation alternative fuels was a positive step. The MoU provides significant opportunities for knowledge-sharing, mutual investment and business partnerships.

We are also encouraged by the Government's establishment of the Clean Energy Finance Corporation and the Australian Renewable Energy Agency and look forward to engaging with these bodies on future development opportunities.

While we are supportive of policies that encourage emissions reduction, the introduction of a carbon price system will nevertheless have a significant impact on our cost base.

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Domestic airlines will be exposed to the full starting carbon price of \$23 per tonne through an increase in aviation fuel excise from July 2012 and will not have access to transitional assistance or compensation arrangements. It is estimated that the cost impact on the Qantas Group will be approximately \$110-115 million in the financial year 2012/13. By mid-2012, the Qantas Group will have to account for a carbon price in three jurisdictions: New Zealand, the EU (from January 2012) and Australia.

In the context of the significant commercial and structural challenges facing the global aviation industry, the Qantas Group will be unable to absorb the additional costs associated with the carbon price. There will be a full pass-through to customers, with the fare increases varying depending on sector length but averaging \$3.50 per single sector.

In the absence of transitional assistance or compensation for the domestic aviation industry, the following amendments to the Clean Energy Future Legislation package would ensure that aviation is not disadvantaged relative to other large transport fuel users.

Recognition of sustainable aviation fuels as zero carbon rated

The use of bio-derived fuels is one of the most significant opportunities the aviation industry has to lower its carbon emissions. The Qantas Group is a member of the Sustainable Aviation Fuel Users Group (SAFUG), a global group working to accelerate the commercialisation of sustainable aviation fuels, and has also independently expressed an intention to help develop a sustainable aviation fuel industry in Australia.

To ensure that there is an incentive for the development of alternative aviation fuels and to encourage investment in the rapidly evolving sustainable aviation fuels industry, equitable carbon treatment of bio-derived aviation fuel to equivalent road biofuels is essential. As biodiesel, ethanol and renewable diesel are eligible for a tax offsetting grant, their effective tax as alternative fuels is zero and, in the Qantas Group's view, it would be appropriate that this also applies to sustainable aviation fuels.

Arrangements for fuels to opt-into the carbon pricing mechanism

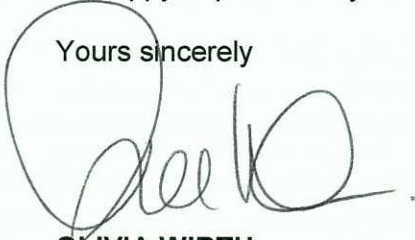
The Qantas Group welcomes the opportunity provided to large fuel users to opt-into the carbon pricing mechanism from 1 July 2013 – though our preference would be for this option to take effect from 1 July 2012, when the scheme first comes into effect

The ability to purchase market-based carbon credits, which is available to other industries, will allow the Qantas Group to manage its cost of carbon through all available abatement measures within the broader carbon scheme.

In the Qantas Group's view, there is potential to simplify the process further for aviation fuel users. Under the current, aviation fuel users are required to pay the 'carbon component rate' applied to the fuel excise and claim the amount back as a fuel tax credit (FTC). This arrangement adds to the administrative cost and complexity associated with the scheme.

Again, thank you for the opportunity to contribute to the Committee's inquiry. We would be happy to provide any further information that might be of assistance

Yours sincerely

A handwritten signature in black ink, appearing to read 'Olivia Wirth', written over a large, faint circular outline.

OLIVIA WIRTH
Group Executive
Government and Corporate Affairs