

Committee Secretary  
Senate Economics Committee  
Department of the Senate  
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Dear Sir/Madam

I would like to make a submission to the Senate Economics Committee regarding the Fuel Tax Bill 2006 which was recently presented in parliament.

We believe that this Bill has a number of propositions that unfairly discriminates against rural farm users of biodiesel and also against rural biodiesel production. We believe that these changes, that follow on so closely from the enacting of the Energy Grants (Credits) Scheme Act 2003 and Energy Grants (Cleaner Fuels) Scheme Act 2004, undermines the aim and intent of these two acts, namely the development of a sustainable biofuels industry and the promotion of use of renewable biofuels in preference to petroleum-based fuels.

In the past rural users have been granted relief from excise taxed upon diesel. The proposed Fuel Tax Bill 2006 intends to grant excise relief to a larger proportion of diesel users, including those based in metropolitan areas. The loss of revenue from excise upon diesel will be significant. The cost of maintaining the current Cleaner Fuels and Energy Grants Credit Schemes will be significantly less. In fact a 2.3% increase in diesel excise rebate claims proposed by this Bill will subsidise the Government's renewable fuel target of 350 million litres per year.

In contrast the Fuel Tax Bill 2006 removes the cleaner fuels grant received by rural users of biodiesel. Biodiesel producers currently pay an excise of approximately \$0.38 per litre produced. Biodiesel producers also receive a Cleaner Fuel Grant (\$0.38/litre) for the production of a fuel which meets the Australian standard for a cleaner fuel. The Fuel Tax Bill 2006 makes the wrong inference that the Cleaner Fuel Grant is an offset for the excise paid and intends to remove the excise rebate from rural users of biodiesel. This is incorrect; the Cleaner Fuel Grant is just that, a grant. When the Energy Grants (Cleaner Fuels) Scheme was enacted in 2004, the grant was explicitly described as a grant to help with the development of the renewable fuel industry.

The Energy Grants (Credits) Scheme 2003 was enacted to promote and reward end-users of cleaner fuels. This is being totally disregarded in the Fuel Tax Bill 2006.

The Government's support for the renewable fuels industry is being removed by the enacting of the Fuel Tax Bill 2006, less than two years after the enacting of legislation to provide support of the industry. Furthermore, the Fuel Tax Bill 2006 unfairly discriminates against end users of biodiesel, in particular rural users.

Our Company is committed to the provision and development of decentralised, rurally-located biodiesel processing facilities. These services will generate significant

employment in rural and regional areas. We currently have plans to provide biodiesel processing facilities to twenty regional locations. However, this Bill will see the development of a biodiesel industry which can cheaply provide biodiesel to those users who cannot claim an excise rebate, namely metropolitan users, to the exclusion of rural users.

We have reviewed the Bill and have identified the required changes to fairly treat and support the development of the biofuels industry. These changes include:

*"Section 43-10: Reducing the amount of your fuel tax credit"*

*Cleaner Fuels Grants*

Sections 1 and 2 are to be deleted.

With the following changes:

*"Section 43-5 Subsection (3) Exclusions from grant or subsidy amount"*

Which now reads as:

**(b) a grant for on-road alternative fuel under the *Energy Grants (Credits) Scheme Act 2003*;**

Should read as:

**(b) a grant for on-road and off-road alternative fuel under the *Energy Grants (Credits) Scheme Act 2003*;**

and

Which now read as:

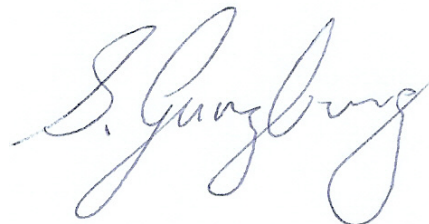
**(c) a grant for petrol or diesel under the *Energy Grants (Cleaner Fuels) Scheme Act 2004*;**

Should read as:

**(c) a grant for petrol, diesel or biodiesel under the *Energy Grants (Cleaner Fuels) Scheme Act 2004*;**

I hope to speak to you in the near future to discuss various aspects of this proposed legislation.

Yours sincerely,



Dr Stuart Gunzburg