



**BAA – Biodiesel Association of Australia**

## **Submission in response to Fuel Tax Bill 2006.**

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The transition to the single system of fuel tax credits can be supportive of the Biodiesel industry if the application of the producer grant is treated simply as a grant to the producer for the production of Biodiesel.

When the producer grant is treated as a direct offset to excise, the net excise paid on Biodiesel becomes zero and the price of the Biodiesel will increase up to 38cpl compared to petroleum diesel for off road applications. It has a similar impact on Biodiesel blends used for commercial on-road applications.

Biodiesel production is set to exceed 800ML by the end of next year and more than triple the Governments target of 350ML by 2010! This will only occur if Biodiesel is given the proper support by Government on its introduction to market.

The current situation has been confusing for producers and end users alike. The situation has been that blends of Biodiesel and Diesel – 1% Biodiesel up to 49% Biodiesel – is eligible for the on-road and off-road grant. Farmers, Marine and mining areas have shown great interest and up-take of Biodiesel. The cost impost of the changes, especially as these are all highly competitive markets will remove their ability to use Biodiesel at this crucial industry developmental stage.

This situation has been further muddied by the ATO having the incorrect phone scripts and conflicting messages in the on-line and printed versions of the information regarding grants for on-road and off-road applications. This has recently been corrected, however it has prevented some potential Biodiesel users from taking up the fuel as they have been wary off the potential liability if they get it wrong. We have been waiting for a final determination from the ATO and it arrived only last Friday afternoon!

There is also a desire to use Biodiesel at 100% or B100 in some environmentally sensitive areas where the much reduced toxicity offers potential longer term savings in risk reduction and good sustainable business practice. Unfortunately, the current system and the proposed changes also create a cost impost before the benefits are proven and a real long term cost advantage can be demonstrated – other than just the straight fuel cost.

An example of an area where B100 would show a strong advantage and a large, highly visible public benefit is marine applications in Urban locations (eg: Sydney Harbour, Botany Bay and The river through Brisbane). Sydney Ferries has run the first stage of trial and is preparing for the next round. They have a strong preference towards B100 as do some other marine operators on the harbor, the cost impost of the lack of off-road grant and similar potential situation with the new system will prevent adoption of Biodiesel at almost any blend unless the changes proposed in the first paragraph are adopted.

The changes requested require no changes to legislation nor any complex variations or exceptions to the new laws. It has a built-in sunset clause with the phase out of the producer grant and a final rate of excise already defined. This gives the industry time to grow and develop efficiencies of scale to compete in the petroleum diesel market.

The potential income to Australia from the locally produced fuel and the phenomenal increase in demand and revenues for rural Australia a biofuel market of this scale creates will exceed the cost impost for the grant. This is something that we will be discussing with the Senate Enquiry looking into this area on the 9<sup>th</sup> of June.

This also helps the Biodiesel industry meet the governments goal of introducing biofuels to markets that demonstrate the best impacts while far exceeding the governments targets for on-road applications and total biofuel production.

We would be more than happy to present further information regarding our claims on request and give a presentation at your convenience.

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