

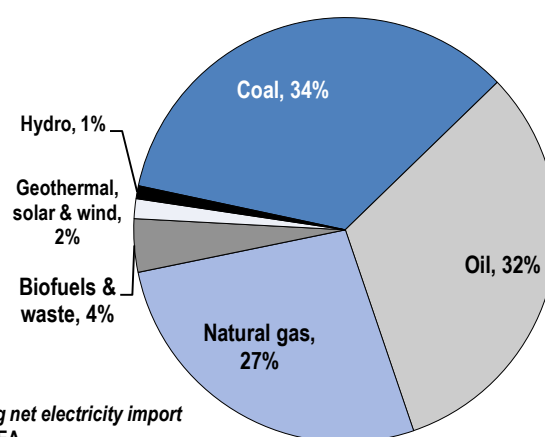
Australia

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries and eight large partner economies (Argentina, Brazil, Colombia, the People's Republic of China, India, Indonesia, the Russian Federation, and South Africa).

Energy resources and market structure

Coal mining dominates Australia's energy production. Australia is the world's largest coal exporter by volume and exports more than three-quarters of the country's coal output. Most of the Australian coal production is accounted for by hard coal, while lignite represents less than 15% in volume. Besides coal, Australia also produces and exports large volumes of natural gas, the proven reserves of which have grown significantly in recent years with the commercialisation of large volumes of unconventional gas (i.e. particularly coal-bed methane). Overall, about two-thirds of the country's total energy production is exported.

Total Primary Energy Supply* in 2016



*excluding net electricity import
Source: IEA

Australia was a pioneer of energy market liberalisation during the 1990s with the aim of creating efficient wholesale and retail markets. Structural and regulatory reforms involved the deregulation of its downstream oil sector and of the coal-mining industry, the lifting of export controls on coal, the introduction of regulated third-party access to natural-gas and electricity networks, and the privatisation of some utilities owned by federal and state governments. This development proved advantageous for the natural-gas sector. Despite rising costs, several major operations exporting liquefied natural-gas to Asian countries have commenced. Australia will become the largest LNG exporter in the world in 2018. However, gas well development has been slower than expected leading to tight conditions and high prices in the domestic market. The federal government has introduced powers to allow it to limit LNG exports, if required, from July 2017.

The electricity sector has been unbundled into separate generating, transmission, distribution and retail companies. Except for retailers, which are mostly privately owned, there exists a mixture of state-owned and private companies across the supply chain. Network charges for most transmission assets in the national electricity market (NEM) are regulated by the Australian Energy Regulator (AER) by setting an overall revenue cap for a regulatory control period to ensure that consumers pay no more than necessary for the safe and reliable delivery of electricity. The regulatory framework allows for some assets to be unregulated and earn market rates.

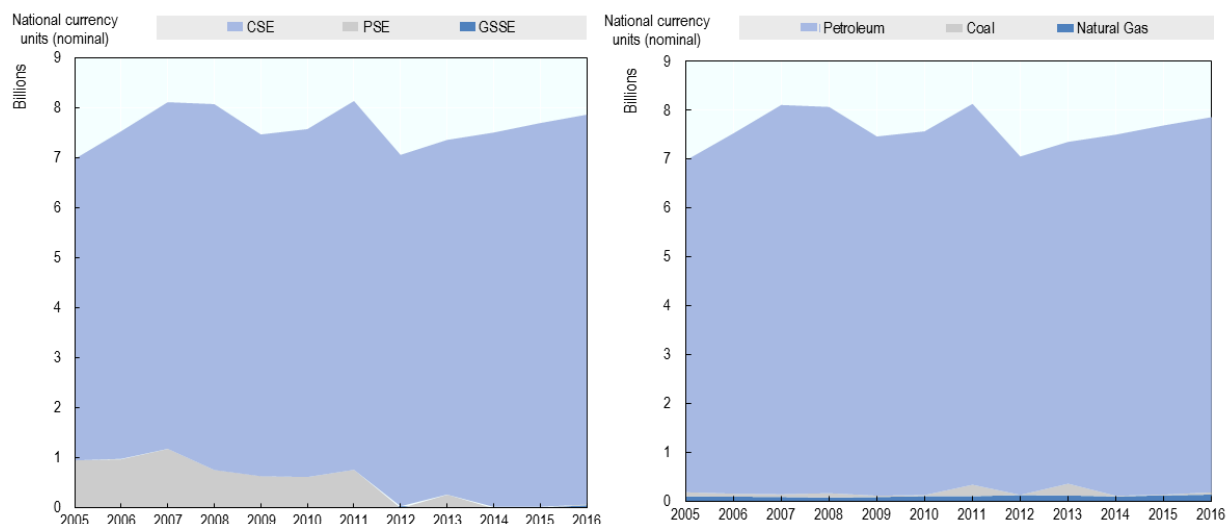
Energy prices and taxes

Energy prices are generally deregulated in Australia; however there are jurisdictions that continue to regulate electricity or gas retail prices, or both. Competition is evolving and jurisdictions are at different stages in progressing regulatory reforms in retail energy markets. With the introduction of retail contestability, most consumers are able to choose from a range of contract types or to remain on a standard contract.

From 2012 through 2014, the Federal Government implemented a carbon pricing scheme. However, the scheme was abolished in 2014. In its stead, the government introduced an Emissions Reduction Fund to government purchase emissions-reduction credits from eligible businesses on a least-cost basis.

The Australian Government levies fuel excise and duties at various rates, based on energy content. Petrol and diesel are taxed at 40.9 cents per litre (AUD) as from 5 February 2018. In 2014-15, fuel tax revenue was \$17.6 billion (AUD). Over the same period, businesses claimed Fuel Tax Credits (FTCs) providing a rebate of the tax embedded in the price on fuel. Net of Road User Charges, FTCs totalled \$6.0 (AUD) billion in 2014-15.

Total tax rebates and support for fossil fuels in Australia by indicator (left) and fuel type (right)*



Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate.

*The data for Australia are dominated by the inclusion of the country's FTCs, which accounts for the high total estimates for the country. This measure, in certain circumstances, serves to rebate the fuel tax embedded in the price of fuel that businesses have purchased. Fuel Tax Credits do not apply to fuel used in vehicles under 4.5 tonnes gross vehicle mass.

Recent developments and trends in support

There are no longer any significant measures supporting the upstream hydrocarbon sector in Australia following the removal in 2008 of a partial exemption from the excise tax for condensate produced onshore and in the North West Shelf area. Several states have programmes that encourage hydrocarbon exploration. On the consumption side, most Australian states and territories provide some form of rebates to low-income households. Overall, total support has hovered at a steady level with little variation over the last decade.

Examples of measures

Infrastructure Bond Scheme – Transport (1992-2008)

This PSE for co-generation plants or natural-gas pipelines was aimed at encouraging investment in infrastructure projects through the issuance of Infrastructure Bonds, which provided lenders with tax-deductible interest payments.

Coal sector Jobs Package (2011-)

This support provided transitional assistance to coal miners with high fugitive emissions of greenhouse gases to compensate them for the carbon tax that Australia levied between July 2012 and July 2014.

