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, eight partner economies (Argentina, Brazil, the People’s Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa) and EU Eastern Partnership ( EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

Energy resources and market structure

Coal mining dominates Australia’s energy production. Australia is the world’s second largest coal net 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, around 80% of the country’s total energy production is exported.

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. In 2018, Australia became the largest LNG exporter in the world, overtaking Qatar. 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 legislation 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. 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

Most jurisdictions in Australia have retail contestability, with a regulated default price for small customers; however, there are jurisdictions that continue to regulate electricity or gas retail prices, or both. With the introduction of retail contestability, most consumers can 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, a
voluntary offset programme, to 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 indexed twice a year in line with the consumer price index and are taxed at 41.8 cents per litre (AUD), as from August 2019. In 2018-2019, fuel tax revenue was AUD 19.86 billion and businesses claimed AUD 7.5 billion of Fuel Tax Credits (FTCs), net of Road User Charges. Fuel Tax Credits provide businesses a rebate of the tax embedded in the price on fuel.

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

![Graph showing total tax rebates and support for fossil fuels in Australia](image)

*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 Fuel Tax Credits (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, particularly on residential electricity usage, with the bulk of the electricity generated in the country of fossil-fuel origin.

**Examples of measures**

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<th>Measure</th>
<th>Description</th>
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<td><strong>Excise concessions for ‘Alternative Fuels’</strong> (1985-)</td>
<td>This concession has exempted liquefied petroleum gas, liquefied natural gas and compressed natural gas from the federal excise tax normally levied on sales of petroleum products in Australia. In 2012 the Federal Government started to progressively increase the rate of excise tax for these fuels, reaching an amount equivalent to 50% of the corresponding benchmark rate of tax from July 2015.</td>
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<td><strong>Family Energy Rebate</strong> (2012-)</td>
<td>The Family Energy Rebate provides qualified New South Wales households having dependent children with financial payments towards defraying the cost of their electricity bills. The programme has evolved throughout the years with AUD 180 paid per qualified household for FY 2018-19.</td>
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