

Carbon Tax Fact Sheet

What is the Carbon Tax?

In July 2011, the Federal Government announced a plan to introduce a carbon tax in an attempt to reduce carbon emissions outputs by 5% (based on levels produced in the year 2000), by 2020. By 2050, emissions will be reduced by 80%, compared with 2000 levels.

The carbon pricing scheme is a tax framework directed at the top 500 polluters in the country (those which generate over 25,000 tonnes of CO₂-e emissions each year) in an attempt to reduce emission outputs. These include electricity wholesalers, resources companies and energy-intensive industries such as steel and aluminium makers.

When will it apply?

Carbon pricing will commence on 1 July 2012 at \$23 per tonne, and will increase at 2.5% per annum in real terms (above inflation) for the first 3 years.

On 1 July 2015, the Carbon Pricing Scheme will be replaced with an Emissions Trading Scheme where permit prices will be set by the market via auction. Large polluters will be able to purchase permits which will give them the right to pollute, on an open market. The annual cap will get tighter as Australia's emissions reductions increase.

What does it mean for companies in Transport & Logistics?

It is important to know how this legislation is likely to affect your business.

- A small number of T&L companies will have direct legal obligations, passing on their costs to the consumer in most instances.
- T&L industry customers will begin to look for suppliers and producers who are responsible and managing emissions.
- T&L businesses should ensure that their long-term business planning is informed by the latest research and analysis, and start developing internal systems for the July 2012 start.
- T&L businesses should also consider how they will manage the cost impact of the carbon price mechanism in their major contracts and pricing structures.
- Business inputs are expected to increase due to the pricing schemes (eg. electricity and gas suppliers and, ultimately, fuel costs).

Road

Heavy on road transport (>4.5 tonne weight) are exempt from carbon pricing until 2014. From 1 July 2014, the fuel tax credits scheme for heavy vehicles will be reduced by almost 7 cents per litre. Gaseous fuels such as LPG used for on-road transport will not be affected by carbon pricing.

Rail

Rail companies are set to lose the diesel fuel tax credit, meaning they will pay more for fuel. It is believed that the direct impact of the carbon tax to rail will be relatively small, but the sector will experience decreasing revenue from competition with the road freight sector, which will have a competitive advantage (emanating from not paying the tax) until 2014.

Aviation

Domestic flights will incur a 1.1%-2.4% increase in aviation fuel tax (*Transport and Aviation: Airlines the losers, roadies the winners*, Macquarie Equities Research, 11 July 2011), however fuel used for international aviation travel is not subject to fuel tax, and therefore will not be affected by carbon pricing. Depending on how much of the costs can be passed onto passengers and **freight users**, airline earnings may decrease by 10-15% (*Transport and Aviation: Airlines the losers, roadies the winners*, 11 July 2011) depending upon competitive factors and the ability to pass increased fuel costs onto the customers.

Maritime

Domestic shipping services will also commence paying a carbon tax as of 1 July 2012, and pay more for fuel. The carbon tax will be imposed on foreign ships operating along Australia's coastline, however, international shipping is exempt.

Fuel Taxes

Different fuels emit different amounts of carbon. Consequently, tax imposts will be different.

When the ETS is introduced, the fuel tax credits will be reduced in line with the carbon price set at the beginning of year financial year, and from 2015/16, even 6 months.

LNG and CNG are expected to be hardest hit, followed by diesel (and other liquid fuels), petrol and LPG.

A fuel tax fact sheet produced by the Australian Federal Government is available at <http://www.cleanenergyfuture.gov.au/transport-fuels/>

What are the opportunities?

The Jobs and Competitiveness Program

<http://www.climatechange.gov.au/government/initiatives/jobs-competitiveness-program.aspx> supports local jobs and production, and encourages industry to invest in clean technologies. This program is targeted at companies that produce a lot of carbon pollution but are constrained in their capacity to pass through costs in global markets. It has been carefully designed to assist these industries in a way that maintains strong incentives for them to improve their energy efficiency and reduce the pollution intensity of their products.

How do I measure my emissions?

There are several resources available to help you calculate your emissions levels. The Carbon Neutral website hosts a calculator which can be used for both individuals and business and can be found at:

<http://www.carbonneutral.com.au/carbon-calculator/other-sources.html>

Further Information

- The Australian Federal Government developed the National Greenhouse and Energy Reporting (NGER) System to measure and monitor corporate greenhouse gas emissions, energy production and energy consumption. Find out whether your business needs to report here:

<http://www.climatechange.gov.au/government/initiatives/national-greenhouse-energy-reporting/does-nger-apply.aspx>

- The Clean Energy Future website at <http://www.cleanenergyfuture.gov.au/>