

Canberra Times: Climate Energy Finance think tank wants fuel tax credit scheme limited

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The Climate Energy Finance think tank wants to cap fuel tax credits for miners to help drive the electrification of mining operations. Picture Thiess Pty Ltd

The federal government could save \$14 billion by capping the fuel tax credit for large mining companies and use the funds to drive the electrification of the sector, think tank Climate Energy Finance says.

The fuel tax credit scheme, which allows businesses to claim for tax paid on fuel used to power machinery and heavy vehicles, will cost taxpayers \$37 billion by 2030 unless the government sets a limit on how much they can claim, a report by the think tank says.

Report co-author Tim Buckley said the tax credit scheme was the nation's largest fossil fuel subsidy and one of the biggest in the world.

"This cost to the taxpayer is unconscionable and the continuation of the rebate in its current form is inconsistent with Australia's emissions-reduction commitment and a major headwind to [the] electrification of the mining sector's heavy haulage fleet," Mr Buckley said.

The report said if the government capped the subsidy at \$50 million for each business group it would save \$14 billion by 2030.

It recommended the money be used to help the mining sector electrify its fleet of machinery and decarbonise bulk commodity exports through targeted subsidies and production-based tax credits.

According to the report, the cap would only affect the country's eight largest mining firms, including Fortescue Metals Group, Rio Tinto, Hancock Prospecting, BHP, Glencore, Peabody, Yancoal and Anglo American.

It said there would be "zero impact" on farming and would not affect freight costs.

The Clean Energy Finance report said the money raised by the fuel tax credit cap should be directed to a special purpose fund within the National Reconstruction Fund.

"Revenues in the special purpose fund should be invested to scale domestic manufacturing and adoption of battery and electric vehicle technology across Australia's mining sector," the report said.

Electrify Mining

"Australia should leverage its world-leading mining industry by collaborating on mine haulage equipment electrification," Mr Buckley said.

"We should be the first mining jurisdiction to deploy EVs at scale and speed."

He said the country should work with major machinery firms like Liebherr, Komatsu and Caterpillar to set up local EV truck manufacturing facilities.

Mr Buckley said establishing a local mining EV sector would be "a massive step towards aligning the mining industry with its net zero emission targets".

The release of the report comes as leaders in the renewable energy industry are due to issue a joint call for major investment to drive growth in the sector on Monday.

The Australian Renewables Industry Summit, to be held in Canberra, will discuss the need for comprehensive government action to take advantage of significant opportunities in renewable technology and critical minerals.

It will also consider how the government should respond to the Biden administration's Inflation Reduction Act and similar manufacturing support measures being taken by other nations.

The summit is due to hear from speakers including Mr Buckley, Assistant Minister for Manufacturing Tim Ayres, economist Ross Garnaut, ACTU president Michele O'Neill and British High Commissioner Vicki Treadwell.

Despite the accelerating adoption of renewable energy, Australia's carbon emissions are continuing to grow, reaching 467 metric tonnes of carbon dioxide equivalent in the year to June, an annual increase of 0.9 per cent.

The Quarterly National Greenhouse Gas Inventory report showed renewables were a significant part of the nation's energy mix, accounting for 40 per cent of electricity generated across the national market in the year to June.

The influx of renewables contributed to a 4 per cent decline in emissions from electricity in the year to March, but those from agriculture and transport are continuing to grow strongly, up by 3.3 per and 6.4 per cent, respectively, over the same period.

The call to cap fuel tax credits is likely to be opposed by the mining industry, which campaigned fiercely against the Rudd government's super profits tax on the sector early last decade.

Tax Super Profits Call

The idea of a mining super profits tax has been revived by the powerful Construction, Forestry, Mining and Energy Union as a way to help relieve the housing shortage.

CFMEU secretary Zach Smith in July proposed the government impose a 40 per cent levy on companies with more than \$100 million in annual revenue as a way to fund the construction of thousands of social and affordable homes. He said the tax could raise \$28 billion a year.

<https://www.canberratimes.com.au/story/8343422/curbing-unconscionable-fuel-tax-break-could-save-government-billions/?cs=27796>