Labor’s climate chief takes aim at ‘insane’ diesel subsidy

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The Albanese government’s top climate adviser has backed calls to overhaul a lucrative tax rebate for miners who use diesel fuel to power their operations, an incentive heavily backed by resources companies but opposed by green groups who say it undermines decarbonisation efforts.

Climate Change Authority chairman Matt Kean, a former senior NSW Liberal figure, said the tax break, which is estimated to cost governments several billion dollars annually, would be better spent on incentivising electrification technologies rather than propping up “legacy” industries.

Matt Kean says forecasts of east coast gas shortages are “laughable”.

“The idea of continuing to provide the diesel fuel rebate to big mining companies and whatnot at the expense of helping Australian consumers benefit from electrification is insane,” Kean told the Financial Review Energy and Climate Summit on Wednesday. “Nature is not going to be fooled. The atmosphere counts the costs of emissions.”

The diesel fuel excise levied on drivers covers the costs of maintaining public roads, but companies can claim a tax credit when the fuel is used on private roads, including mine sites.

A report by Climate Energy Finance, a think tank focused on emissions reduction policies, circulated to key Labor ministers and members of the crossbench in August suggested the country’s biggest miners have banked almost $60 billion in diesel fuel tax subsidies in less than 20 years.

The report recommended a $50 million cap on the subsidy, with big miners forced to spend cash they claim beyond that on green energy alternatives.

Still, Resources Minister Madeleine King has indicated the government has little appetite to overhaul the fuel subsidy. Proposals to change the rules have also met strong opposition from the West Australian government and farming groups.

Speaking at the summit, Kean said forecasts of east coast gas shortages were "laughable" and gas producers were attempting to overplay their role in supporting renewables to make the case for opening new fields.

"Gas has a small but significant role to play in this transition, but let's not let the gas industry hijack this debate and dress up their massive expansion plans in virtue," he said. "We need to ensure that Australians can get access to cheaper, better technologies that will not only improve their living standards, but also will protect the planet, and we should be incentivising the uptake of those things that are going to achieve those objectives."

But Lucy Nation, the country president for BP in Australia, said the role of gas in the transition was not an "either/or".

"From our point of view, we believe gas has a very important role to play in the energy transition. I think it's important we don't let perfect be the enemy of progress," she said.

"Australia has a very important role to play in reducing the amount of coal being burnt quickly, and gas is the quickest way of doing that. It's not the ultimate solution, but it's a really important one," she added.

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