Labor targets $10.8b fuel tax credit scheme

Ronald Mizen AFR *Political correspondent* Jan 30, 2026

An influential Labor environmental group has kicked off a campaign pushing Treasurer Jim Chalmers to strip big miners of lucrative fuel tax credits, arguing that it would bolster the budget bottom line and accelerate the decarbonisation of the resources sector.

Labor's powerful **Labor Environment Action Network** launched the grassroots campaign last week to overhaul the mining fuel tax credits, which would cost BHP, Rio Tinto and Fortescue billions of dollars.

Fuel tax credits are one of the top 20 expenditure items in the budget. Now Anthony Albanese and Jim Chalmers are being pushed to rein in the rebate

The policy push has gained support from some Labor MPs, according to sources familiar with LEAN's plans, who sought anonymity to speak freely, and the campaign will ramp up before the party's three-yearly national conference in Adelaide in June.

LEAN is the biggest membership group in the ALP and has been a driving force behind policies such as creating a new National Environmental Protection Agency, which Labor promised at the 2022 and 2025 elections and made law late last year.

Despite being confident that key cabinet ministers oppose any changes – Prime Minister Anthony Albanese committed to the status quo last year – miners fear fuel tax credit changes will be viewed as an easy win, given they would be likely to find support from the Greens in the Senate.

Miners are sufficiently worried about being targeted by the government for more taxes that the Minerals Council of Australia has commissioned polling to gauge public attitudes and awareness of the issue.

In one of its five key reports commissioned ahead of Chalmers' Economic Reform Roundtable in August last year, the Productivity Commission also argued the government should scrap fuel tax credits for heavy trucking on public roads.

LEAN is backing a push by Andrew Forrest's Fortescue and renewables think tank Climate Energy Finance for an annual $50m cap on the amount of fuel credits miners can claim. A cap is also being pushed by the **Australian Council of Trade Unions**, which wants the cap set at $20m.

Under the plan being advanced by LEAN, Fortescue and CEF miners would be able to claim further credits above the cap where that money was used for decarbonisation and electrification initiatives. Any money not paid out would then be put into a decarbonisation fund to benefit the entire sector. "The plan caps the credit at $50m a year for the 15 largest corporate users, redirecting excess funds into decarbonisation projects for companies covered by the Safeguard Mechanism [scheme]," said Louise Crawford, co-convener of LEAN. "The campaign is about ensuring climate policy is pulling in one direction: public money backing cleaner technology, not encouraging continued diesel use."

Farmers and tourism operators would not be affected by the proposal.

Curbing the fuel tax rebate would allow the government to extract more tax from the resources sector without the political risk of a mining tax, though it is very sensitive to any policies being viewed as anti-mining in Western Australia and Queensland.

With a $57 billion hole opening up in the federal budget bottom line since the election last year and no surplus forecast for more than a decade, the government is scrambling to find ways to rebalance the books.

"Reducing the cost of diesel for the mining industry incentivises its ongoing use and disincentivises investment in decarbonisation."

— Fortescue

Fuel tax credits are one of the top 20 expenditure items in the budget and are forecast to grow by 20% over the next four years.

The tax break will cost $10.8 billion this financial year and grow to about $13 billion by 2028-29, according to the budget papers, with just under half of that going to resources companies, including more than $1.4bn going to iron ore miners and about $1.4bn to coal miners.

The Greens committed to abolishing fuel tax credits for fossil fuel companies at the last federal election. That could save the budget about $9 billion over the four-year forecasts from July 1, 2025, and about $30 billion over the decade.

Minerals Council of Australia boss Tania Constable said miners, agriculture and tourism firms would run a fierce campaign if the government decided to go after fuel tax credits, while mining executives have been lobbying Labor to keep the existing scheme.

In a Treasury briefing provided to Chalmers before a meeting with BHP president Geraldine Slattery last year, Treasury said the big miner strongly opposed changes to the fuel tax credits.

One area outside mining that could be in the mix is phasing out credits for on-road heavy vehicles such as freight carriers

With Albanese declaring his government has “a big agenda” in 2026, sources in the resources sector believe Treasury has put forward ideas for Chalmers that involve scaling back fuel tax credits in some way.

Another option instead of an annual cap is allowing miners to claim only a set percentage of their annual fuel tax paid. For example, CEF estimates that BHP claimed $600m in fuel tax credits in 2023-24; an 80 per cent cap would reduce that to $480m.

One area outside mining that could be in the mix is phasing out credits for on-road heavy vehicles such as freight carriers. The **Productivity Commission** has called for fuel tax credits to be axed for trucks travelling on public roads.

That proposal sparked a strong rebuke from the heavy transport peak body, the Australian Trucking Association.

The same PC report recommended fuel tax credits be retained for miners captured by Labor’s signature emissions reduction scheme, the Safeguard Mechanism. That requires facilities producing more than 100,000t of CO_2 emissions each year to cut their output by 4.9% annually or buy offsets to make up the difference.

Fuel excise is ostensibly levied on road users to cover the costs of building and maintaining public roads, but agriculture and mining companies can claim tax credits for fuel consumed on private roads, such as on mine sites.

Miners say the fuel tax credits are legitimate because diesel-hungry trucks and equipment do not use public roads. Meanwhile, left-wing think tanks, unions, and the OECD have labelled fuel tax credits a fossil fuel subsidy and called for them to be curtailed.

Ahead of Chalmers’ roundtable last year, Fortescue put forward a plan to tie fuel tax credits to emissions reduction efforts. “The fuel tax credits scheme ... is a significant disincentive to decarbonise diesel fuel assets. This disincentive does not support Australia's goal of reaching net zero by 2050," the big miner said in a policy proposal in May.

"Reducing the cost of diesel for the mining industry incentivises its ongoing use and disincentivises investment in decarbonisation. Using cheap diesel dramatically impacts the internal rate of return on any investment in decarbonisation."

The federal government forecast diesel emissions from mining to fall at a rate of 4.5% a year from a baseline of 21.7Mt in 2023 to 12.6Mt in 2035. But that figure is disputed by anti-fossil-fuel advocacy group Energy Economics and Financial Analysis, which says diesel emissions are rising 6% a year in reality. "Australia's climate targets require deep emissions cuts across all sectors of the economy," said **IEEFA** analyst Andrew Gorringe. "For the resources sector to contribute, this means capturing more of the fugitive methane emissions from coal and gas production but also, importantly, achieving meaningful reductions in miners' diesel fuel use – across all forms of mining."

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