



Chamber of the House of Representatives
Excise Tariff Amendment (Condensate) Bill 2011 &
Excise Legislation Amendment (Condensate) Bill 2011

22 August 2011

Sharon Grierson MP

Ms GRIERSON (Newcastle) (19:18): I rise to speak in support of these cognate bills, the Excise Tariff Amendment (Condensate) Bill 2011 and the Excise Legislation Amendment (Condensate) Bill 2011. I also stand to oppose the amendment moved by the member for Groom. Contrary to the member for Groom and the accusations he has made, I support these bills because they evidence this government's strong fiscal discipline and represent many of the values that we as a government hold at our core. All Australians should benefit collectively from the natural resources that we have inherited. They are not resources that will continue forever. They are finite resources, and these bills foster the fairer distribution of their benefit throughout the Australian community, with government correctly acting as the conduit between the people and corporate institutions.

The stronger, fairer and simpler tax reforms that this government is pursuing, including those embodied in these bills, go some way towards achieving this. When we make economic policy, we ask: will this make our economy stronger? In the case of these bills, it will. Will it make it fairer? In the case of these bills, it will. I find it quite surprising that the opposition would put a very different case when they have a \$70 billion black hole in their budget forecast to explain.

We are a generous nation, and the dignity of work, the social benefits of gainful employment and the equitable distribution of prosperity are all principles that this Labor government seeks to foster. We will not shirk our responsibility to keep our economy strong and produce a more prosperous society, and we will continue to make the reforms to the taxation system that are necessary to modernise the economy and foster the growth of our society. We have not and will not put sovereign wealth at risk, as the member for Groom recklessly suggests. But, yes, we will remove a tax break that is absolutely past its use-by date.

Since 1977, the federal government has exempted condensate production from the crude oil excise regime, recognising the need to support the exploration and development of petroleum resources within the North West Shelf. As a result of the exemption, petroleum fields in the region matured, the energy demand of the people of Western Australia was satisfied and business benefited from the excise exemption in the order of more than \$1 billion. However, since then, the Australian economy has radically changed and the business environment has shifted. The exemption has

become outdated and no longer reflects the current needs of the resource sector. Yesterday, the Sunday Times reported that BHP Billiton is expected to unveil full-year earnings for 2011 of US\$22.1 billion, while Rio Tinto's half-year net profit was approximately US\$7.6 billion. With oil prices for non-renewable energy resources remaining high, the subsidy of resource divestment in the North West Shelf is no longer necessary.

Greenpeace highlighted this in their submissions to the Senate Select Committee on Fuel and Energy when they asked the government to consider redirecting excise exemptions for non-renewable energy production to the development of renewable energy technologies. That is exactly what we have been doing for three years—trying to invest again and to encourage investment in renewable energy technologies after 12 years of neglect by the Howard government. That sentiment was not only expressed by Greenpeace; it was reiterated by the Executive Director of the Australian Conservation Foundation, Don Henry. Shane Wright, the economics editor for the West Australian, hardly a socialist rag for the chattering classes, summarised this line of thinking succinctly when he asked:

“Why keep a tax break that was aimed to get a project up when the project is now highly profitable and expanded beyond its initial parameters?”

I agree and would suggest that the member for Groom should take note of that comment by an established economics commentator from Western Australia no less. In order to modernise the excise regime, we removed the crude oil excise exemption on condensate in the 2008-09 budget through the Excise Tariff Amendment (Condensate) Bill 2008 and the Excise Legislation Amendment (Condensate) Bill of 2008 with effect from 13 May of that year. In the absence of government subsidy, condensate and crude oil are now taxed in a similar manner. As resource management expert, Dr Richard Griffiths commented, 'There is no strong argument for exemption other than the usual one—that no-one likes to be taxed,' but this legislation simply closes a loophole. It does impose a new tax.

These bills clarify the application of the current excise regime to condensate production on the North West Shelf and amend the Petroleum Excise (Prices) Act 1987. Specifically, they address the existing uncertainty regarding the prescription of the Rankin Trend condensate production area in order to effectively implement the condensate measure and clarify that a failure to provide written notification of a price determination to a producer does not invalidate that determination. This is because BHP Billiton and its six partners in the North West Shelf LNG resource project have commenced proceedings in the Federal Court alleging that the Rankin Trend is of uncertain size and therefore invalid; and that the condensate production areas located on the North West Shelf operated by North West Shelf LNG consist of several gas fields rather than one field, thereby allowing for a larger production threshold before the excise cuts in. The consortia further allege that the VOLWARE prices were not valid as written notification of the price determinations had not been provided to producers as required.

The original measures introduced in 2008 are estimated to raise approximately \$2.8 billion by 1 July 2012 and will increase the return to the Australian community from the non-renewable resources that are extracted from our soil. It is because of the financial implications of the consortia's challenge to the abolition of the excise exemption that we have decided to act proactively and legislate to define the Rankin Trend—\$2.8 billion; I do not think anyone would agree that that has to be ripped out of our economy.

However, I do note that the Senate Standing Committee for the Scrutiny of Bills has criticised this legislation as a retrospective 'trespass unduly on personal rights and liberties, in breach of principle 1(a)(i) of the Committee's terms of reference'. This is because the measures contained in this bill take effect from midnight 13 May 2008, consistent with the original 2008-09 budget measure. Yet, with all due respect, it seems clear that these bills do not effect a retrospective impost on corporations operating on the North West Shelf but clarify the existing state of the law. Accordingly, it is not retrospective in the sense that the committee has suggested and not contrary to modern notions of the rule of law or individual rights and liberties.

These bills are a testament to our ongoing work to ensure the fair distribution of opportunity in this country and our belief that all Australians should benefit collectively from the resources that are extracted from our soil and which rightly belong to all the people of this country. In this respect, these bills are similar to the mining resource rent tax, which will be legislated later this year, because they ensure that the Australian people receive greater benefit from the development of our mineral resources. It surprises me that the member for Groom so roundly criticises that measure when I know how much he has been involved in some of the calculations around that. By removing the condensate excise exemption, the Federal Government can reallocate the subsidies and invest in the infrastructure we need for the future. It can reduce company tax rates and ensure that every sector of our patchwork economy prospers.

The opposition, in moving their amendment, would suggest that we destroy our international sovereign risk portfolio. Not only is that rubbish; it is reckless. We are blessed as a nation with absolute security for investors. Investors know that they get a regulatory framework that is strong and fair. They know that they get skilled labour. They know that they get the support of government. They know that they operate in a safe and secure environment. They know that these sorts of changes and reforms will occur. They are not radical; they are a natural progression for a country that has achieved great wealth from its mineral resources. They are about sustaining wealth and making sure the benefits of that wealth flow to as many people as possible and to the generations of the future.

Many commentators at the moment talk about the Dutch disease and we talk about a patchwork economy. We have to do everything we can to be fair in this country. We cannot move everybody to Western Australia. We cannot move everybody to the mining and energy resources rich areas. We have to do all we can to maintain wealth and sustain jobs throughout the whole country.

The coalition condemns these bills as an assault on the energy and resources sector.

That has never happened under this Government. Our Ministers in those areas—Martin Ferguson, in particular—have worked hand in glove with the energy and resources industry sector and have, I think, their respect and trust. They know we will be tough and pursue our agenda, but they know we will consult, discuss and, when it comes down to it, if we differ, the government will pursue its agenda as it should in the best interests of the public of this country.

When you think about the framework of change of legislation, I am sure the member for Groom did not mean the very much more robust safety regimes we have put in around oil and gas exploration and production. I hope he did not mean that, because we have created so much legislation to protect the sector from the damaging fallout of incidents that we have seen around the country. I think we all remember the spill on the north-west coast and how fortunate we were that that did not have a greater impact, and we have responded to all the findings from those studies.

The member for Groom thinks that somehow this is legislation about the carbon tax. No, it is not about pricing carbon and it is quite scurrilous to suggest it is. He quotes studies about job losses and says that there will be job losses in my area. In fact, overall there will be job growth. There will be transition; there will be transformation. Newcastle is our best example of dealing with transition and transformation of our economy. We also know that you cannot just oppose; you cannot just condemn; you do have to be held to account. It is time the opposition were held to account. They pose no solutions at this stage for their \$70 billion hole and their economic mismanagement.

Before I finish, I want to congratulate the Treasurer, the Assistant Treasurer and the Federal Labor Government since 2007, not just on this bill but on taking on, simplifying, harmonising, amalgamating, modernising and correcting anomalies in so many areas of taxation legislation. This is just one of so many pieces of legislation that has found its way before the House by a responsible government that certainly is making our economy stronger. Finally, I commend the bills to the House and I oppose the amendment moved by the member for Groom.