Ai Group policy update: repeal of the carbon tax

Federal Parliament repeals the Carbon Tax

18 July 2014

The Federal Parliament voted on 17 July 2014 to repeal the carbon tax.

This note sets out key information for your business on:

- the effects on your costs; your obligations;
- what may be coming next; and
- where to get more information.

What has happened?

The Parliament has voted to repeal the Clean Energy Act 2011, and to amend related legislation – particularly the Ozone Protection and Synthetic Greenhouse Gas Management Act and the fuel excise legislation – which imposed a carbon tax on many sectors of the Australian economy.

The repeal legislation takes retrospective effect as from 1 July 2014. That means that no business should have a direct carbon tax liability for the 2014-15 financial year. However, liabilities for the 2012-13 and 2013-14 years are unaffected by the repeal and any outstanding sums for those years must still be paid.

If you were liable for the carbon tax through your facilities' emissions, you will still need to report your emissions and energy use under the National Greenhouse and Energy Reporting system, which remains in place. However you will have no liability for any emissions in 2014-15.

If your business claims fuel tax credits, these were previously reduced to impose an effective carbon price on off-road business uses of fuel. The full rate of fuel tax credit is now claimable once more.

If your business uses Synthetic Greenhouse Gases (SGGs) or SGG equipment, such as refrigerators and air conditioners, these gases were subject to an equivalent carbon levy at the point of import or manufacture. That levy has now been reduced to its former, much lower, level.

What does the carbon tax repeal mean for my costs?

Most businesses were not directly liable for the carbon tax and will see impacts primarily through their electricity and gas prices:

- The carbon tax added around 2 cents per kilowatt hour to wholesale electricity prices on average across Australia.
- Gas price impacts varied more by region and gas field, but were often around $1.20 per gigajoule.

The precise pass through depended on the terms in businesses' contracts with their electricity or gas suppliers:

- Some businesses had 'carbon inclusive' contracts, which built an allowance for carbon price expectations into a single price that would not vary if the carbon price later changed.
  - It is likely these businesses will continue to pay the carbon inclusive price until their contracts expire. Consult your retailer.

- Some businesses had ‘carbon exclusive’ contracts, which dealt with carbon costs through a separate line item with capacity to vary.
  - These businesses should see an immediate reduction in the carbon element of their bills. Consult your retailer.

For those affected by the fuel tax credit changes relating to off-road fuel uses, the rate of fuel tax credit claimable will increase by around 6 cents per litre.

Precise rates are available at www.ato.gov.au

For those affected by the **Synthetic Greenhouse Gas (SGG) levy** – including downstream businesses who use these gases or related equipment but do not import or manufacture SGGs – repeal makes these gases substantially cheaper. A much lower levy of $165 per tonne of SGGs (not varying by carbon dioxide equivalence) will continue to apply.

The table below sets out the difference between the cost of the levy at 30 June 2014 for a kilogram of several common SGGs, and the levy cost from 1 July 2014. Businesses should expect these savings to be passed on in new supplies of SGGs.

Gas	Levy reduction 2014-15 ($/kg)
HFC-23 CHF3	282.39
HFC-32 CH2F2	15.5325
HFC-41 CH3F	3.4575
HFC-43-10mee C5H2F10	31.23
HFC-125 C2HF5	67.455
HFC-134 C2H2F4	23.985
HFC-134a C2H2F4	31.23
HFC-143 C2H3F3	7.08
HFC-143a C2H3F3	91.605
HFC-152a C2H4F2	3.216
HFC-227ea C3HF7	69.87
HFC-236fa C3H2F6	151.98
HFC-245ca C3H3F5	13.359
Perfluoromethane CF4	156.81
Perfluoroethane C2F6	222.015
Perfluoropropane C3F8	168.885
Perfluorobutane C4F10	168.885
Perfluorocyclobutane c-C4F8	209.94
Perfluoropentane C5F12	180.96
Perfluorohexane C6F14	178.545
Sulphur hexafluoride	577.02

What are my obligations to customers and the ACCC?

The repeal legislation included provisions intended to ensure that the full savings from carbon tax repeal are passed through to customers. This has several components.

First the general obligation not to make misleading or deceptive representations to customers continues to apply. If your business chooses to make any representations to customers about the impact of the carbon tax repeal on your prices, you should ensure these are reasonable and able to be justified.

Secondly there is a specific obligation to avoid price exploitation in relation to carbon tax repeal. This applies to any entity that makes a supply of electricity or natural gas, or a bulk importer of SGGs that makes a supply of SGGs, where the entity fails to pass through all the savings directly and indirectly attributable to the carbon tax repeal. Such failure exposes the entity to a penalty of 250% of the cost savings not passed through, payable to the Commonwealth.

Thirdly there is a requirement for retailers of electricity and natural gas, and bulk importers of SGGs, to respond to notices from the ACCC to substantiate their removal of the carbon tax and (for electricity and natural gas retailers) to make statements to customers on the subject.

The ACCC will be providing detailed guidance to businesses about their obligations. Check www.accc.gov.au for more information.

What will replace the carbon tax?

Australia has committed internationally to reduce its greenhouse gas emissions to at least 5% below 2000 levels by 2020, and by up to 25% under certain circumstances. Both the Government and the Opposition have reiterated their support for these commitments. That will require deep emissions reductions, as Australia is currently projected to increase its emissions to 17% above 2000 levels in 2020 in the absence of a carbon price or other new policy.

The Government proposes an Emissions Reduction Fund (ERF) as an alternative. This would have three components: a system for crediting voluntary emissions reductions in business and the land sector; a system of reverse auctions through which the Government would procure abatement credits; and a 'safeguard' mechanism which would penalise increases in emissions above baseline levels by large facilities.

In its currently proposed form the ERF would be unlikely to impose costs on any business. However, it is unclear whether the ERF will be able to be legislated, or what changes might be required to pass it through the Senate.

The Federal Opposition has stated that it will take a policy for an Emissions Trading Scheme (ETS) to the next election. Detailed design has not been announced, but it would likely be very similar to the ETS that would have been established from 2015-16 by the recently repealed legislation.

The Palmer United Party has stated that it will shortly propose an ETS which would take effect when certain conditions around international climate action are met. Detail has not yet been released.

Ai Group is working with all sides to understand their policies and improve them in the interests of members. We will provide more information and analysis as it becomes available.

Where can I get more information?

Contact **Ai Group's Environment and Energy help desk on 1300 733 752** or **environment@aigroup.asn.au** to see how Ai Group can help you further.

For businesses with a direct liability under the carbon tax, consult the Clean Energy Regulator: **www.cleanenergyregulator.gov.au.**

For more information about carbon tax repeal impacts on your electricity and gas bills, consult your energy retailer(s).

For businesses who claim fuel tax credits, check the latest rates and any refund information at **www.ato.gov.au**.

For businesses subject to the SGG levy, check updated rates at www.environment.gov.au.

For information on obligations around price pass through and the expectations of the ACCC, check **www.accc.gov.au.**

Ai Group Contacts for Repeal of the Carbon Tax

Media inquiries:	Tony Melville	Director of Public Affairs and Government Relations		(02) 6233 0716
Policy inquiries:	Dr Peter Burn	Director of Public Policy	0427 666 579	(02) 9466 5503
	Tennant Reed	Principal Adviser, Environment and Energy Policy		(03) 9867 0145