



4. TRANSPORT

JULY 2008

FACT SHEET

Transport contributes around 14 per cent of Australia's emissions and is the second fastest growing source of emissions. Emissions from transport have increased by 27 per cent since 1990.

Including transport in the scheme

Including transport in the scheme will reduce the cost of cutting Australia's greenhouse gas emissions. The more sectors excluded from the scheme, the higher the cost faced by the included sectors and, ultimately, by consumers. Excluding petrol would not lead to lower costs for households – to the contrary, any abatement that would otherwise have come from the transport sector will have to occur elsewhere and at higher cost.

Can including transport actually reduce carbon pollution?

While people have limited flexibility to respond quickly to changes in the petrol price, the evidence shows that, over time, our transport choices are influenced by price changes.

Some international studies indicate that a 10 per cent increase in price leads to a fall in fuel use in the longer term of up to seven per cent.

Australian studies have come up with lower figures, but those studies have all been conducted in periods with greater price stability and much lower prices. Motorists have tended to see high prices as a temporary event that does not require lasting changes in behaviour, including in their choice of motor vehicles.

Current high fuel prices have led households and businesses to focus on the price of petrol and how they can cut their costs at the bowser. As a result, 2007 recorded the largest fall in oil demand among developed countries since 1983.

There has also been a sharp reduction in the proportion of large cars and four wheel drive vehicles being purchased in Australia and in the United States. Over the past few years new vehicle sales data shows an increase in sales of small and medium size vehicles.¹

Helping motorists make the transition

The Government recognises that fuels, unlike other sources of emissions, are currently taxed through the excise system.

The Government will introduce the Carbon Pollution Reduction Scheme in a measured and responsible way which is mindful of the adjustment costs facing Australian households and businesses.

In order to give households time to adjust to the scheme, the Government will make an offsetting cut in fuel taxes with the introduction of the Carbon Pollution Reduction Scheme as part of a broader ongoing policy response to the rising costs of transport fuel which continue to strongly affect Australian households and transport businesses.

As the carbon price changes over the first three years of the Carbon Pollution Reduction Scheme, the Government will periodically assess the adequacy of this adjustment mechanism and adjust fuel taxes.

After the three year period, whatever the Government has taken off fuel tax will stay off permanently.

After three years, the adjustment mechanism will be subject to review.

Helping business make the transition

To ensure that rural and regional areas are not disadvantaged, the Government will rebate the effect of the carbon pollution permits on businesses in the agricultural and fishing industries for three years. This is necessary as the excise system effectively does not apply to this sector.

For heavy vehicle road users, fuel taxes will be cut on a cent-for-cent basis to offset the initial price impact on fuel associated with the impact of the Carbon Pollution Reduction Scheme. The Government will review this measure after one year.

How will fuel be included in the Carbon Pollution Reduction Scheme?

The Government proposes to apply scheme obligations for fuel on 'upstream' suppliers as this is the best way to minimise the impact on motorists.

¹.FCAI (Federal Chamber of Automotive Industries) (2008), Vehicle Sales, <http://www.fcai.com.au/sales>

