

1990

THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

HOUSE OF REPRESENTATIVES

PETROLEUM EXCISE (PRICES) AMENDMENT BILL 1990

EXPLANATORY MEMORANDUM

(circulated by authority of the Minister for
Primary Industries and Energy the Hon. John Kerin, MP)

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OUTLINE

On 1 January 1988, the marketing of crude oil was deregulated and Government determination of Import Parity Prices, which had been used as the basis for the calculation of crude oil excise, ceased. From 1 January 1988, the calculation of crude oil excise has been based on the volume weighted average of realised prices (known by the acronym VOLWARE) for all sales of Bass Strait crude oil. VOLWARE prices are currently determined by the Minister for Resources (or his delegate) under the Petroleum Excise (Prices) Act 1987 for Bass Strait crude only. The Second Reading Speech to the Principal Act noted that production from areas onshore would become excisable in the event that production exceeded the 30 million barrel excise free limit and that the price basis for excising onshore oil production would be considered at the appropriate time. (Under arrangements announced in June 1987, the first 30 million barrels of crude oil produced by each onshore field and from new offshore fields were exempted from excise).

2. Indications are that cumulative production from the Jackson oil field in South West Queensland will exceed 30 million barrels early in 1990-1991, and hence production above this level will be liable for excise.

3. The Principal Act as it stands has the effect of confining the definition of oil producer to those operating offshore. Hence it is necessary that the definition of oil producer be widened to include onshore producers.

4. Widening the definition of producer to include onshore producers would mean, in the absence of other changes to the Act, that volume weighted average realised (VOLWARE) prices would be calculated as though the Bass Strait and Jackson fields were combined.
5. This is undesirable as it would lead to inequities in excise liability between the Jackson producers and the Bass Strait producers. These inequities arise from the fact that the realised prices of crude oil from the two sources have been observed to differ from each other and hence there are direct implications for the excise payable. For example, if the VOLWARE price of a producer from Region A were less than the VOLWARE price calculated for Regions A and B combined, that producer would pay proportionately more excise than if a separate VOLWARE price were calculated for Region A alone.
6. Amendments to the Petroleum Excise (Prices) Act 1987 are therefore required to enable the calculation of separate volume weighted average realised (VOLWARE) prices for excise purposes for the Bass Strait oil producing region and for the Jackson producing region and for the description of each producing region to be prescribed in the Regulations to the Act. The amendments have been framed in a way that will enable areas additional to Jackson to be listed separately in the Regulations in the event they become liable for excise.
7. The Bill also inserts definitions of 'oil producing region' and 'VOLWARE commencement date' and related provisions concerning the date of effect of the legislation. In essence 'oil producing region' means a production area or a number of production areas from which excisable crude petroleum is obtained. It is intended that each producing region for which

a VOLWARE price is to be calculated will be described in the Regulations. The definition of 'VOLWARE commencement date' is inserted to enable the calculation of VOLWARE prices to be activated for a given producing region once an oil producer within that region becomes excisable. The date on which this occurs will be prescribed in the Regulations.

8. The powers of this Bill are integral to the collection of crude oil excise under the Excise Tariff Act 1921 and the Excise Act 1901. Consequential amendments of a minor nature will also be required to the former Act. These will be incorporated in amendments to the Excise Tariff Act 1921.

Financial Impact Statement

9. The amendments are necessary to ensure that the appropriate excise is collectable in the circumstances described above. No specific figure can be put on the excise revenue that might be collected from the Jackson oilfield as this is dependent on the level of production achieved. If, however, current production levels were to continue, excise revenue of the order of \$0.35 million might be expected in a full year.

NOTES ON CLAUSESClause 1: Short title etc.

10. This clause provides for the short title of the legislation namely the Petroleum Excise (Prices) Amendment Act 1990.

Clause 2: Commencement

11. This Act is to be taken to have commenced on 26 December 1987.

Clause 3: Interpretation

12. This clause amends subsection (1) of Section 4 of the Principal Act by widening the definition of 'oil producer' to include onshore producers. It also inserts definitions of 'oil producing region' and 'VOLWARE commencement date'.

Clause 4: Minister etc. to determine reference prices

13. This clause amends Section 5 of the Principal Act to accommodate the consequential changes arising from the calculation of a separate VOLWARE price for each region producing excisable petroleum.

Clause 5: Minister etc. to determine VOLWARE prices

14. This clause amends Section 7 of the Principal Act to take account of the consequential changes arising from the calculation of a separate VOLWARE price for each region producing excisable petroleum and from the need to specify a commencement date in the Regulations for the activation of the VOLWARE price calculations in respect of any production which becomes excisable.

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