

28 May 2021

Mr Steven Gray
Assistant Director
Road Market Reform
Department of Infrastructure,
Transport, Regional Development
and Communications

Via email to hvrr@infrastructure.gov.au

GEA RESPONSE TO THE PROPOSED INCREASE IN THE ROAD USER CHARGE FOR HEAVY VEHICLES POWERED BY GASEOUS FUELS

Dear Steven

Gas Energy Australia (GEA) welcomes the opportunity to respond to the consultation on the *proposed increase in the road user charge for heavy vehicles powered by gaseous fuels*.

By way of background, GEA is the national peak body which represents the bulk of the downstream gaseous fuels industry, which covers Liquefied Petroleum Gas (LPG), Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG). The industry comprises major companies and small to medium businesses in the gas fuels supply chain including producers, refiners, distributors, transporters, retailers, vehicle manufacturers, equipment manufacturers and suppliers, installers, educators and consultants.

GEA acknowledges the need for an increase in the Road User Charge (RUC) for heavy vehicles to ensure Australian governments can recover the amount spent on maintaining roads for heavy vehicles. Consequently, GEA supports the recommendation that this charge should increase by 2.5 per cent in 2021-22 given it will not increase the tax burden on heavy vehicles powered by gas fuels.

And while this increase will provide a small measure of relief, GEA considers there should be greater consideration of the longer term growing tax burden on gas fuels such as LNG and CNG used in heavy vehicle transport relative to diesel on an energy equivalent basis. The ongoing indexation of fuel excise and recent freezes of the RUC have combined to disadvantage gas fuels as discussed in more detail below.

Table 1 below shows that since excise on gas fuels was introduced in 2011, there has been a steady increase in the rate of tax due to the twice-yearly indexation of excise which commenced in 2014.

Table 1: RUC paid by LNG and CNG fuelled heavy vehicles

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Excise/kg	\$0.000	\$0.052	\$0.105	\$0.157	\$0.209	\$0.268	\$0.271	\$0.276	\$0.282	\$0.287	\$0.290	\$0.293

Source: Australian Taxation Office

Table 2 below demonstrates the interaction between fuel excise and fuel tax credit applicable to diesel which determines the rate of RUC on diesel used to power heavy vehicles. In addition, it shows the rate of RUC on diesel in energy equivalent terms to the rate of RUC on LNG and CNG. Table 2 also shows the impact of the freeze on the RUC in the years 2017 to 2020.

Table 2: RUC paid by diesel fuelled heavy vehicles

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Excise/L	\$0.381	\$0.381	\$0.381	\$0.381	\$0.381	\$0.389	\$0.395	\$0.401	\$0.409	\$0.416	\$0.423	\$0.427
FTC	\$0.155	\$0.150	\$0.126	\$0.126	\$0.120	\$0.128	\$0.134	\$0.142	\$0.151	\$0.158	\$0.165	\$0.163
RUC / L	\$0.231	\$0.255	\$0.261	\$0.261	\$0.261	\$0.261	\$0.259	\$0.258	\$0.258	\$0.258	\$0.258	\$0.264
RUC/kg gas energy equivalent	\$0.000	\$0.307	\$0.339	\$0.348	\$0.348	\$0.348	\$0.345	\$0.344	\$0.344	\$0.344	\$0.344	\$0.353

Note: A 1.333 multiplier has been applied to the cents per litre rate for diesel as the conversion factor for fuels sold by the kilo

Source: Australian Taxation Office and Department of Infrastructure, Transport, Regional Development and Communications

Table 3 below takes the rate of RUC on LNG and CNG from Table 1 and compares it with the rate of RUC on diesel in energy equivalent terms from Table 2 to determine the relative rate of RUC on the two type of fuel used to power heavy vehicles.

Table 3: RUC relativity between gas (LNG and CNG) and diesel fuelled heavy vehicles

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Per Cent	0%	16%	30%	45%	60%	77%	79%	80%	82%	83%	84%	83%

Table 3 shows the relativity between LNG and CNG and diesel fuelled heavy vehicles will be 83% in 2021. This is still well above the bipartisan commitment by the major two federal parties that the tax on gaseous fuels should not be more than 50 percent of the rate on diesel/petrol on an energy equivalent basis.

GEA understands that the RUC does not take into account environmental impacts and it is set to recover the costs that heavy vehicles impose on the road network, regardless of how they are powered. GEA considers the RUC should take into account the environmental costs of different fuels.

GEA considers there to be significant benefits from the greater use of gas fuels for heavy vehicle transport that are not being fully realised due to current policy settings which make it more difficult for gas-powered heavy vehicles to compete with diesel, the dominant fuel. Gas fuels such as LNG and CNG have significant environmental benefits compared to the use of diesel. Gas powered heavy vehicles reduce CO2 emissions by up to 23% compared to diesel, along with a 60% reduction in nitrous oxides¹ and 99% reduction in particulate emissions and 99% reduction in sulfur oxides².

Since 2011, the introduction and increases to fuel excise rates on gas fuels has eroded the price advantage of gas compared to diesel. This growing tax burden contradicts the bipartisan commitment to apply energy content-based fuel excise to all transport fuels, with a 50 per cent discount for gas fuels in recognition of the broader benefits of Australian gas as a fuel source. It has also undermined the potential of Australian gas fuels such as LNG and CNG to strengthen the nation’s fuel security and economy, as well as contribute to improved environmental outcomes for communities.

¹ Scania, Iveco, 2019

² Energies, A Review on Liquefied Natural Gas as Fuels for Dual Fuel Engines: Opportunities, Challenges and Responses, 23 November 2020

GEA notes that LPG is also used for powering heavy vehicles in Australia. One example is the heavy-duty dual fuel (HDDF) system which substitutes LPG for diesel. Sixteen Volvo HDDF prime movers operated by national freight and logistics company Rivet Energy have been fitted with modified engines which substitute LPG for diesel by up to 23 per cent. These HDDF trucks operate across Victoria, NSW, SA and Queensland and deliver LPG on bulk and multi-drop delivery runs to businesses every day of the year. On average per year, each vehicle saves around 7 per cent in fuel costs and reduces emissions by almost 8 tonnes, which is equivalent to taking four cars off the road.

GEA also notes that heavy vehicles powered by other low emission sources such as electricity and hydrogen currently pay no fuel tax in Australia. GEA considers this to be inconsistent with the current tax on gas fuels. This is especially so given electric or hydrogen vehicles can have a bigger carbon footprint than gas vehicles when upstream emissions associated with either the generation of electricity or the production of hydrogen are taken into account.

In conclusion, GEA supports the 2.5% increase in the RUC but asks that greater consideration be given to the health, environmental and fuel security benefits of gas fuels when used to power heavy vehicles. This should be done with the growing tax burden on gas fuels relative to diesel in mind, along with the bipartisan commitment to apply energy content-based fuel excise to all transport fuels, with a 50 per cent discount for gaseous fuels.

Finally, GEA thanks the Department of Infrastructure, Transport, Regional Development and Communications for recent engagements and welcomes the opportunity to discuss these issues in greater detail.

If you have any questions regarding this submission, please do not hesitate to contact GEA's Policy Adviser Melissa Dimovski at mdimovski@gasenergyaustralia.asn.au.

For your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Griffiths", with a horizontal line drawn through it.

John Griffiths
Chief Executive Officer
Gas Energy Australia