

Emissions Policy: Carbon Pricing



On 1 July 2012, the Australian Government introduced a price on carbon under its *Clean Energy Future Plan*.

The carbon price is paid directly by several hundred large emitters (“liable entities”), and covers a subset of the gases counted under the Kyoto protocol: carbon dioxide, methane, nitrous oxide and perfluorocarbons from aluminium smelting. Other greenhouse gases are handled separately.

Transport greenhouse gas emissions are overwhelmingly carbon dioxide (CO₂).

Carbon Pricing – How Much?

The carbon price has two phases – a fixed price period (to June 2015), followed by a transition to a variable price, cap-and-trade emission trading scheme.

The carbon price started at \$23/tCO_{2e} in July 2012 and increases by 2.5% each year (in real terms) over the fixed price period.

From July 2015, Australian liable entities will be able to surrender European Union Emissions Trading Scheme (EUETS) allowances. By July 2018, full linking of the two schemes will be in place. Currently, the EU permit price is lower than Australia’s.

Carbon Pricing and Road Transport

The application of the carbon price to transport is complex and subject to change.

Most road vehicles are *currently* not subject to carbon pricing. A carbon price may apply to heavy vehicles from 1 July 2014.

Generally, households and businesses that use on-road commercial vehicles with GVM of 4.5 tonnes and under will not face a carbon price going forward.

Carbon pricing on transport fuels will be largely a ‘shadow price’, rather than a direct liability, through changes to Fuel Tax Credit.

By reducing existing Fuel Tax Credit by an amount equivalent to the carbon price, the Australian Government will effectively use the existing fuel tax regime to impose a carbon price on transport fuels.

For larger entities already liable for carbon pricing on other emissions, an opt-in scheme will allow that mechanism to be used also for carbon pricing on transport fuels.

Gaseous transport fuels such as liquefied petroleum gas (LPG) and natural gas will not be subject to a shadow carbon price – their

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eligibility for a Fuel Tax Credit is reduced to zero due to the Road User Charge.

Carbon pricing does not apply to the use of biofuels – ethanol and biodiesel – acknowledging that sequestration early in the fuel cycle offsets emission during use.

Plug-in electric vehicles of any size are currently subject to a carbon price, as electricity generators are among the liable entities and, therefore, pass through the carbon price to electricity consumers. Though unlikely to cost less, GreenPower™ is not subject to a carbon price.

Carbon Pricing – Beyond Fuels

The carbon price does not place administrative burden on motorists and small to medium transport operators, though costs may be passed through the supply chain.

Australian vehicle manufacturers and parts suppliers are potentially exposed to the carbon price. Costs of vehicle servicing and repair may also increase as liable entities pass through the price on carbon.

Road construction and maintenance activities are exposed to a carbon price.

Political Issues

The Multi-Party Climate Change Committee did not agree to extend the carbon price to heavy vehicles from 2014. This change requires the ALP to form government outright following the 2013 election.

The Coalition has stated that, should it form government in 2013, it will abandon carbon pricing in favour of a more direct approach.

Key Points

- Road transport is not currently subject to carbon pricing (with exceptions).

- A shadow price on carbon may be applied to fuels used in heavy vehicles from 1 July 2014.
- Some fuels will not be subject to a carbon price.
- If the shadow price is applied to transport fuels, it will be through the existing *Fuel Tax Credit* system. There will not be a sudden expansion of liable entities to include all transport operators.
- Larger operators already liable under the *Clean Energy Future Plan* may elect to use a common mechanism for carbon pricing, rather than pay a shadow price under the *Fuel Tax Credit* system.

The South Australian Government provides this policy summary to assist the community, and is not able to warrant the currency or accuracy of the information in this fact sheet. The Clean Energy Future Plan is Australian Government policy and subject to change. Below are web links to information from the Australian Government.

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See Also:

- [Emissions Policy: Australian Design Rules](#)
- [Emissions Policy: Fuel Standards](#)
- [Emissions Policy: Fuel Tax Credit](#)
- [Emissions Policy: In-Service Performance](#)

External Links:

- [Clean Energy Future Plan \(Transport\)](#)

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