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# Budget Update

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Tags: australia, budget, taxation [list all tags]

There was more to the Budget than I caught in last nights post, so here is a follow up.

While the reaction to means testing solar panel rebates has been understandably negative (how many people on below average incomes can afford solar panels ?), the good news is that one fossil fuel subsidy has been removed - an excise exemption for condensate being abolished, much to the chagrin of the north west shelf joint venturers.

ABC - We weren't consulted on Budget changes: petroleum industry

> The petroleum industry says the scrapping of a tax exemption on crude oil derived from gas will create uncertainty for Australia's largest resource project. The North West Shelf will be the hardest hit by the Budget announcement, which will add $2.5 billion to government coffers over the next four years.

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The Age - $2.5bn as condensate tax break disappears

> Condensate is a light crude oil that flows when a gas find is first tapped. Oil giants have had an excise exemption on this "cream" for nearly 30 years. RESOURCE giants will have to pay more to produce the lucrative "condensate" crude oil, as the Government tightens an almost 30-year-old tax break used to encourage gas field explorations. The decision to scrap the tax exemptions will deliver $2.5 billion in savings, and is believed to be part of the Federal Government's wider agenda to create a multibillion-dollar local industry producing liquid fuels from coal and gas.

Upstream Online - Volte vents ire at Oz tax move

> Woodside Petroleum boss Don Voelte has slammed the Australian federal government's decision to impose excise on condensate production, saying that Treasurer Wayne Swan had scrapped financial arrangements "we considered to be binding". "This is not a loophole which is being closed, or a free ride which has come to an end. This is a negotiated fiscal arrangement which formed the basis of Australia's largest resource development," Voelte said, referring to the North West Shelf Venture, off Western Australia. Woodside operates the liquefied natural gas project. He added: “We have lived up to our commitments under this arrangement. Governments have a responsibility to

> consult with industry on major issues such as this. On this occasion there was no consultation on changes to arrangements which we considered to be binding."
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> Yesterday, in his maiden budget speech to parliament in Canberra, Swan announced that all condensate production from fields in the North West Shelf project, as well as from onshore sites, would be subject to crude oil excise. The excise rate for condensate will be the same as crude from fields discovered after 18 September 1975. Under these terms, the top crude excise rate, which applies once annual production hits 5 million barrels per year, is 30%. The first 30 million barrels of crude produced from a field are exempt.

The Australian - Oil firms hit as tax loophole closed

> WOODSIDE Petroleum, the nation's biggest independent oil and gas company, will be among the big losers from the budget's closure of a tax loophole, ending an excise exemption worth more than half a billion dollars on the production of condensate, a form of light crude oil. Western Australia's Labor Government is also a big loser, but the federal Government has promised to make good the lost revenue of $337 million over the next four years.
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> Woodside is one of six Australian, Japanese and US oil companies that have been exploiting the offshore gas reserves for the past 25 years, and have all been able to enjoy the tax break on condensate sales. Hydrocarbon-rich gas emerging from the pressurised depths of oil and gas fields will often form into a light liquid much prized by fuel refiners, as it takes little effort to clean out any impurities. Elaborate piping is often needed to catch the slugs of liquid condensate as it speeds to shore before settling in tanks and being shipped offshore, but it has been a lucrative by-product from the big gas fields as oil prices rise.

The Australian - Regulator gets nod to monitor set renewable energy targets

> A MANDATORY renewable energy target is set to stay, with $15.5 million provided to the regulator over five years to administer the scheme. The funding for the Office of the Renewable Energy will be welcomed by industry players, but is bound to disappoint other suppliers who have pressed for changes to the target.
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> During the election campaign, Labor promised to increase the mandatory renewable energy target to 45,000 gigawatt hours, together with the approximately 15,000GWh of existing renewable capacity. This target is designed to have 20per cent of Australia's electricity supply - about 60,000GWh - generated from renewable sources by 2020.