

1988

THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

HOUSE OF REPRESENTATIVES

PETROLEUM EXCISE (PRICES) AMENDMENT BILL 1988

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. At that date, the Government ceased to determine Import Parity Prices, which had been used as the basis for allocated sales of domestic crude oil or the calculation of crude oil excise. From 1 January 1988 the calculation of crude oil excise has been based on the volume weighted average of realised prices for all sales of Bass Strait crude oil (VOLWARE) . This price is determined by the Minister for Primary Industries and Energy under the Petroleum Excise (Prices) Act 1987.

2. This Bill provides the Minister for Primary Industries and Energy with additional powers to fix the transaction price for a quantity of crude oil disposed of either by exchange, having the oil converted to products which are then sold or by any means other than direct sale. The amendments contained in this Bill have been made necessary by innovations in petroleum marketing that were not foreseen earlier.

3. The Bill enables the Minister for Primary Industries and Energy or his delegates to:

. fix a transaction price for oil where a producer of a quantity of excisable crude petroleum oil does not sell the oil but enters into an arrangement under which another party takes or intends to take possession of the oil without the exchange of monies usually involved in commercial operations. Examples of such arrangements include:

- toll processing, where the producer pays a processing fee to a refiner and receives a yield of petroleum products for sale;

- exchanges, where the producer does not sell the quantity of crude oil directly but, rather, exchanges it for a quantity of other crude oil or refined petroleum products; and
- barter deals, where the producer does not sell the quantity of crude oil directly but, rather, exchanges it for a quantity of any other commodity or goods.

4. In cases when the Minister makes a determination fixing such a transaction price, the Principal Act provides for a process of appeal should a producer be dissatisfied with the determination. The provisions of this Bill will be covered by this section of the Principal Act.

5. The Bill also amends subsection 4(2) of the Petroleum Excise (Prices) Act 1987. This subsection covered the Minister's ability to determine prices in certain circumstances, but is not considered adequate to deal with transactions under consideration.

6. The powers in this Bill are integral to the collection of crude oil excise under the Excise (Tariff) Act 1921 and the Excise Act of 1901.

Financial Impact Statement

7. 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 revenue that might be involved but total revenue from the crude oil excise in 1988-89 is estimated to be \$A 1.4 bn.

NOTES ON CLAUSESClause 1: Short title

8. This clause provides for the short title of the legislation.

Clause 2: Commencement

9. The Act shall come into operation on the day on which it receives Royal Assent.

Clause 3: Interpretation

10. This clause amends subsections 4(1) and 4(2) of the Principal Act permitting the Minister or his delegates to fix transaction prices where excisable crude petroleum oil is dealt with otherwise than by sale.

Clause 4: Information

11. This clause amends section 10 of the Principal Act by omitting from subsection (4) "documents" and substituting "document".

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