Petroleum Excise (Prices) Amendment Bill 1988

Date Introduced: 12 October 1988
House: House of Representatives
Presented by: Hon. John Kerin, M.P., Minister for Primary Industries and Energy

Digest of Bill

Purpose
To enable the Minister to fix the transaction price for crude oil disposed of other than by direct sale.

Background
On 21 June 1987, the Minister announced that the Crude Oil Allocation Scheme would be abandoned and that free market sales would be allowed from 1 January 1988. On that date, the Commonwealth ceased to calculate crude oil excise based on sales at the import parity price.

From 1 January 1988, the calculation of crude oil excise has been based on the volume weighted average of realised prices (VOLWARE). The VOLWARE price is defined to be the amount obtained by dividing the transaction price of excisable crude oil that has been entered by the total volume to obtain a price in dollars per kilolitre. The VOLWARE price aims to reflect accurately the price realised by producers.

Commonwealth revenue from crude oil and liquid petroleum excise levies is estimated at $1383 million in 1988–89, 32.7% lower than in 1987–88. The fall in collections reflects the effects of estimated lower average crude oil prices in 1988–89, an anticipated decline of 2% in production of crude oil to 386 thousand barrels per day, and a reduction in the top marginal excise rate for crude oil discovered before 1975 from 79% in 1987–88 to 70% in 1988–89.1 However, 1988–89 revenue estimates may have to be adjusted downwards if crude oil production from Bass Strait continues to fall. BHP and ESSO Australia have recently cut crude oil production by 25 000 barrels per day, and have stated that a further reduction of 65 000 barrels per day may be necessary unless excises fall or oil prices rise. The potential loss to government revenue is put at $400 million.2

Main Provisions
The Minister will be able to fix a transaction price for crude oil where a producer enters into an agreement under which another party takes, or intends to take, possession of crude oil by any means other than direct sale (clause 4).
References


For further information, if required, contact the Economics and Commerce Group.

1988

Bills Digest Service
Legislative Research Service

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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