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CUSTOMS TARIFF (STAND-BY DUTY) BILL 1985  

Date introduced: 11 September 1985  
House: House of Representatives  
Presented by: Hon. Barry Jones, M.P., Minister Assisting the Minister for Industry, Technology and Commerce  

DIGEST OF BILL  

Purpose  

To enable a special customs duty to be imposed on the importation of crude oil by refiners who have failed to meet their requirements under the Crude Oil Marketing Partial Allocation Scheme.  

Background  

This Bill forms part of the Government's domestic crude oil marketing policy and will provide an incentive for refiners to fulfil their obligations under the Crude Oil Allocation Scheme (COAS). This scheme has operated since 1970 and allocates domestic crude oil to refiners on the basis of their market shares. Refiners are required to take a certain amount of domestic crude before they may import crude oil. COAS is particularly relevant when the international spot price of crude oil is less than the official price of Saudi light crude. Under the import parity price scheme, domestic crude is sold at the official price of Saudi light crude. When the international spot price is lower, it would be in the local refiners interests to import the cheaper crude bought on the spot market. COAS was introduced to ensure that domestic crude would be refined in Australia and sold at the import parity price.  

On 9 October 1984, the Minister for Resources and Energy announced that, from 1 January 1985, domestic crude would be marketed through a 'partial' allocation scheme. The main features of this scheme are:  

- the majority of domestic crude will continue to be sold through allocation arrangements.
Refiners will be required to take 350,000 barrels per day (bd) of Bass Strait crude in 1985. This compares with 385,000 bd in 1984.

Bass Strait production in excess of 350,000 bd may be exported or sold on the free market in Australia.

It was announced on 24 June 1985 that the partial allocation scheme would continue until 1987.

The mainstay of the scheme is the requirement for refiners to take their full allocation of domestic crude. There is currently no method of ensuring this though lower spot market prices provide an incentive to underlift. A bill similar to this was introduced in May 1984 but was allowed to lapse while the Government undertook a review of crude oil marketing policy.

Outline

The Bill will enable an additional customs duty of 3c per litre to be imposed on the importation of oil used by refiners who, for reasons within their control, have failed to take the full amount allocated to them under the partial allocation scheme. The Bill also provides an opportunity for producers to make up any shortfalls before the duty will be imposed.

Main Provisions

The most relevant definitions contained in the interpretation provision (clause 4) are those for:

- "annual month" which is used to calculate whether refiners have taken their full allocation and is defined to mean one of the months of the year.
- "exempt oils" which are defined as oils which have a density of 0.9 or greater at 150°C. They are the heavy oils used for the production of oil by-products such as bitumen. Such oils are not produced in Australia.
- "minor oil" which is oil produced other than in Bass Strait.
A shortfall refers to the situation where refiners take less than their allocation of Bass Strait crude for reasons not beyond the refiners' control (clause 5).

An underlifting refers to an occurrence where refiners take less minor oil than their allocation for reasons not beyond their control (clause 6).

Clause 7 provides that additional duty is payable on imported relevant oils while a stand-by certificate is in force. Clause 8 sets the rate of such duty at 3c per litre. Oil produced in New Zealand or Papua New Guinea and eligible importers are to be exempted from the special duty (clause 9).

The issue of stand-by certificates is governed by clauses 10 and 11. By clause 10, a stand-by certificate may be issued where the refiner has had a shortfall for 3 consecutive months after June 1985. However, the certificate can only be issued in those circumstances where:

- the Minister is satisfied the shortfall was within the refiner's control. To be so satisfied, the Minister must notify the refiner of the shortfall. The refiner has 1 month to explain the shortfall. The Minister may be satisfied that the shortfall was within the refiner's control when the refiner does not reply within 1 month or where the information supplied fails to convince the Minister;

- if the Minister is satisfied, he must inform the refiner that he intends to issue a certificate and publish a Gazette notice inviting people to be included on the list of eligible importers (who are exempt from the extra duty);

- as well, a certificate cannot be issued if, within 1 month of receiving the notice of intention to issue a certificate, the refiner makes good the shortfall.

The provisions for the issue of a certificate for underlifting are similar to those for shortfalls except that the relevant period of underlifting must be 6 months rather than 3 months (clause 11).
Certificates are to be revoked if the Minister becomes satisfied that the shortfall or underlifting has been made up (clause 13).

Clause 15 deals with situations in which refiners have transferred allocations amongst themselves. In such cases the required allocation will be deemed to have increased or decreased according to the arrangement.

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

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