

## **Diesel Tax Change Threatens Urban Air Quality**

The expected abolition of the excise on diesel as part of the Government's tax package may lead to the 'dieselisation' of Australia's car fleet and a substantial rise in urban air pollution, according to a comprehensive study by the Australia Institute now under way.

It is expected that the Government will announce the abolition of diesel excise and its partial replacement by a road user charge. The retail price of diesel is expected to fall by 20 cents a litre while the price of petrol will be unchanged.

The Australia Institute study notes evidence from Europe indicating that, in the absence of special measures, a large fall in diesel prices will lead to a substantial shift to diesel vehicles. In France, the price of diesel was 40% below the price of petrol during the 1980s resulting in 30% of new cars running on diesel in the early 1990s.

Diesel emissions are responsible for a number of environmental and health effects due to greater emissions of sulphur dioxide, nitrous oxide and particulates. Particulates are of special concern because they are carcinogenic and may increase infant mortality.

"Changes in diesel taxes could see 15% of Australian cars and light commercial vehicles running on diesel by 2010 with potentially serious effects on urban air quality", said Dr Clive Hamilton, Australia Institute Executive Director. "In the absence of offsetting measures, tax cuts in the bush may be paid for by increased disease in the cities."

Tighter emission standards for diesel vehicles could prevent increased urban air pollution. Australia introduced new emission regulations for diesel vehicles in 1996, but these regulations are already out-dated. Much tougher rules have been adopted in the USA and Europe in response to rising concern over the health effects of diesel pollution.

"Cutting fuel prices makes no sense when Australia has just signed the Kyoto climate change agreement which mandates cuts in greenhouse gas emissions," said Dr Hamilton. "The OECD's International Energy Agency last year urged the Federal Government to increase petrol prices to encourage fuel efficiency. Australia is going backwards."

The Australia Institute is undertaking a comprehensive study of the implications of the GST and associated tax changes for energy use and greenhouse gas emissions. In addition to the impact on transport, the study is analysing the likely impacts on the electricity and renewable energy industries. The study is due for completion in five weeks.

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