

## **Tax package contravenes international treaty**

The Howard Government's proposed 25 cents a litre cut in diesel prices for heavy vehicles, and the 7 cents a litre cut in petrol and diesel prices for businesses, both contravene the provisions of the Kyoto Protocol on greenhouse gases.

Article 2 of the Protocol states that each Party shall implement a range of policies including "[p]rogressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors that run counter to the objectives of the Convention ...". Senator Hill signed the Protocol in New York earlier this year.

"The proposed diesel fuel credit is clearly a new tax exemption under the terms of the Protocol", said Australia Institute Executive Director Dr Clive Hamilton. "Other Parties to the Protocol will not permit Australia to breach the treaty before the ink is dry, especially as there remains simmering resentment about the special deal Australia won at Kyoto." Dr Hamilton attended the Kyoto Conference.

The Australia Institute notes that in sharp contrast to *Fightback!* which contains a section devoted to the environment, the latest tax package makes no mention of it. "The Government has simply not considered the environmental implications of the tax package. Indeed a number of aspects of the tax package directly contradict other Coalition policies", said Dr Hamilton.

In his greenhouse statement last November the Prime Minister announced that the Commonwealth will spend \$3.8 million developing the distribution network for compressed natural gas. Yet road transport consumption of natural gas – which was expected to increase 30-fold between 1995 and 2010 – will be drastically undercut by diesel. The Howard Government tax package will see brand new gas infrastructure left unused as cheap and highly polluting diesel drives out cleaner natural gas.

NSW State Transit recently decided to purchase 300 new buses powered by compressed natural gas. The buses will be an essential component of the green transport infrastructure for the Olympics and the tax package has put at risk the green credentials of the Olympics.

The West Australian Government is currently deciding whether to purchase new diesel or gas fuelled buses. The 25-cent cut in diesel will probably tip the balance against gas so that pollution in Perth will worsen.

"The Government is hopelessly confused over its environmental policies and is sending conflicting messages to the market. Senator Hill will have a torrid time explaining the Howard tax plan to the world community when he turns up at the next round of climate change negotiations in Buenos Aries in November", said Dr Hamilton.

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