

Petrol Prices & Real Transport Solutions

Connecting the dots between petrol prices, peak oil, climate change and transport solutions.

Global Fuel Shortages - a long-term problem

Global fuel prices are changing because of rising demand from rapidly developing Asian economies and decreasing supply from major suppliers. Oil price hikes are usually quelled by locating new oil reserves, but as David Greely, an analyst from Goldman Sachs states, "These high prices are not attracting meaningful new supplies."¹ The global price of petrol is going up; and it's not something Australian politicians have any control over. This is a long-term trend, and the current short-term proposals to solve it - like removing the petrol excise - simply won't fix our transport crisis or save Australians real money in the long-term.

Determining Australian Petrol Prices

Petrol prices are primarily determined by the price of crude oil on various world markets. When crude oil is refined it can be turned into petrol (and other products such as diesel, LPG and kerosene). Australian oil prices are determined by the price of oil on Singaporean markets.

The Federal government's petrol excise (fuel tax) makes up about 38c/ litre of Australia's petrol price.² This is a much lower fuel tax than most countries. Australia has some of the cheapest petrol in the developed world. In 2005/2006, 15% of the \$14 billion the Federal government raised from this excise tax was invested in building roads. However, public transport and other climate-friendly transport solutions received no federal funding from this tax at all.

Long-Term Solutions to our Climate Crisis & Transport Crisis

In 2004 the transport sector made up 14% of Australia's greenhouse pollution, and 23% worldwide. Without reform, transport emissions in Australia are expected to increase 42% by 2012 and 67% by 2020 above 1990 levels.

The Federal government must implement long term solutions to both the transport crisis and the climate crisis - otherwise our future will indeed be very expensive. To fix transport, Kevin Rudd and transport minister Anthony Albanese should:

- Invest ¼ (\$5 billion) of Infrastructure Australia's new *Building Australia Fund* in public transport and bike-friendly cities followed by at least one percent of GDP each following year.
- Introduce mandatory vehicle fuel efficiency standards to clean up Australia's car fleet - our vehicles are less efficient than China and most OECD countries.

¹ David Greely, International Herald Tribune (June, 2008)

² <http://www.radioaustralia.net.au/news/stories/200806/s2275749.htm?tab=latest>

- Ensure transport is not removed from the Emissions Trading Scheme (ETS) in a play to petrol price populism. Some income raised from the full auctioning of ETS permits should be invested in public transport, bike lanes for cities, and more rail in rural and regional areas.

Current Approaches to the Transport Crisis are Short-Sighted and Inequitable

Cutting Australia's petrol excise by five cents, as well as stop-gap measures like Fuel Watch, are short-term distractions from the need to address the reality of rising global oil prices and move Australia away from oil.

Cutting the Fuel Excise is inequitable. This measure would deliver substantially more benefits to wealthier households. The Australian Bureau of Statistics estimates that a \$1.8 billion reduction in petrol excise would deliver 30% of benefits to the top 20% of households while the bottom 20% of households would only receive 8%³.

The Climate Institute estimates that for every dollar saved by low-income households from cuts to the fuel excise, high-income households would receive \$3.60⁴.

It is time for federal government leadership to solve the transport crisis – massive investment in public transport, mandatory fuel efficiency standards for vehicles, and not backing away from transport being part of the emissions trading scheme.

³ Household Expenditure Survey, Australian Bureau of Statistics

⁴ The Climate Institute Policy Update- 28th May 2008