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2017–2018 Pre-Budget Submission

Revenue measures which promote the health of the natural environment

	2017-18	2018-19	2019-20	Period
	\$m	\$m	\$m	\$m
Phase out of fuel tax credits scheme	3,233	3,336	7,070	13,639
Phase out of concessional rate on aviation fuel	655	695	1,460	2,810
Savings	3,888	4,031	8,530	16,449

The Grattan Institute and The Australia Institute have identified a significant number of other opportunities to improve the equity and sustainability of the Federal Budget.

A. Expenditure (additional to the resources available within the Environment Portfolio) which promotes the health of the natural environment

Additional measures to improve Great Barrier Reef water quality and catchment health, and improve Reef governance	405	405	420	1,230
Asia-Pacific Rainforest Recovery Fund	50	50	50	150
A comprehensive, adequate and representative marine reserve system	50	50	50	150
A comprehensive, adequate and representative terrestrial reserve system	170	170	170	510
Threatened Species Recovery Fund	250	250	250	750
Promoting Australian leadership in sustainable production	25	25	25	75

	2017-18	2018-19	2019-20	Period
	\$m	\$m	\$m	\$m
Total expenditure				2,865

Note: for Great Barrier Reef funding, there are several key annual actions and investment needed to deliver specified pollution reduction targets and implement the most cost-effective actions to clean up water pollution over the next five years. These include:

- The actions and investment needed to deliver the full nitrogen reduction target of up to 80% (estimated to be around \$400 million), as this is the most cost effective area to cut Reef pollution.
- The actions and investment needed to deliver 75% of the 2025 target to halve sediment pollution (estimated to be \$3.6 billion) by 2021.
- Innovations programs to prove up more cost effective actions to fully achieve the 2025 clean water targets by the due date.

In addition, further funding for Reef governance is required – initially \$5m/year, increasing to \$20m in 2019-20. The primary objective of the Commonwealth Great Barrier Reef Marine Park Act is to ensure the “long-term protection and conservation of the environment, biodiversity and heritage values of the Great Barrier Reef Region”. Sadly the scale of the problems facing the Great Barrier Reef has outgrown the ability of the current government agencies and structures to achieve this objective. The Australian Government has committed to the Reef 2050 Plan to address these threats, but without a better resourced Great Barrier Reef Marine Park Authority to lead implementation, its objectives won’t be met.

B. Expenditure (additional to the resources presently available within the Department of Foreign Affairs and Trade) contributing to sustainable development and stability in the Indo-Pacific Region

Australia’s aid program and climate finance contributions are crucial in supporting the sustainable development and resilience of our wider region which, in turn, promotes Australia’s prosperity and stability.

1. WWF recommends restoring the aid budget to at least \$5.5 billion within the current term of Parliament, with a view to setting Australia on a trajectory to reach 0.7 per cent of GNI by 2030.
2. WWF further recommends increasing Australia’s climate finance contributions by establishing a clear pathway to government funding of at least \$1.6 billion/year by 2020, in line with commitments to provide a fair share of the global US\$100bn/year target by 2020.
 - a. This should include a focus on leveraging private sector funding for both climate change mitigation and resilience activities, recognising that both Government and private sector finance will be fundamental to reaching the US\$100bn/year target.
3. At the Departmental level, WWF encourages investments aimed at increasing DFAT’s internal capacity to implement climate change mitigation and adaptation programs and effectively integrate action on climate change throughout the aid program and across Australia’s broader foreign policy and trade agendas.

Benefits

The International Energy Agency estimates that eliminating subsidies would cut global greenhouse gas emissions by 10%, save about US\$550 billion and provide an immediate boost to global growth, create jobs, build resilience and improve government budgets.¹ The International Monetary Fund believes that eliminating fossil fuel subsidies would save US\$2 trillion and cut greenhouse gas emissions by a similar amount.²

The recent fall in oil prices provides the Australian Government with an opportunity to phase out the fuel tax credits scheme, with minimal impact on industry (as the Indonesian and Malaysian Governments did recently).

Environmental protection conserves water and soil quality and quantity, moderates regional climate, protects beneficial species which control agricultural pests and conserves threatened species. Numerous economic reports have quantified these benefits.³

The proposed expenditure in this submission would have very significant financial, social and environmental benefits. To take one example, the existing terrestrial national reserve system ('national parks') secures 'ecosystem services' (or benefits of nature) valued at about AU\$38 billion per year and the marine reserve system secures even larger benefits. Visitors to national parks, for example, spend over AU\$23.6 billion a year in Australia, generating tax revenue for state and territory governments of over AU\$2.36 billion.⁴

The Great Barrier Reef alone contributed AU\$6 billion to the Australian economy, with employment (FTE) of 70,000 and a calculated conservative asset value of \$21 billion.⁵ The recommended investment for basic operations and maintenance of the Great Barrier Reef (when treated as an asset) is \$547 million per annum, increasing to \$830 million when depreciation is included.⁶ As a result, government funding for the Reef is currently falling short by \$600 million per annum.⁷

Environment budget cuts

Since 2013, Government funding for biodiversity has experienced an ongoing decline, including the recent cut of \$224.7 million announced in the Mid-Year Economic and Fiscal Outlook.⁸

By 2018, public money available for biodiversity conservation projects will hit its lowest level in more than a decade, declining by 37 per cent on 2013 levels (outlined in chart below).⁹ As a result, funding for biodiversity will represent only five cents in every \$100 the Australian Government spends (0.05 per cent

¹ International Energy Agency (2013). [Redrawing the Energy-Climate Map](#).

² International Monetary Fund (2013). [Energy Subsidy Reform: Lessons and Implications](#).

² International Monetary Fund (2013). [Energy Subsidy Reform: Lessons and Implications](#).

³ See for example, Mallawaarachchi T, Szakiel S (2007). [Non-broadscale land clearing in Southern Australia: Economic issues in managing native vegetation on farm land](#). ABARE Research report 07.1. Prepared for the Natural Resource management division, Australian Government Department of Agriculture, Fisheries and Forestry, Canberra; Campbell R, Scarlet A (2014) [Economics, agriculture and native vegetation in NSW](#).

⁴ Taylor MFJ, Fitzsimmons JA, Sattler PS (2014). [Building Nature's Safety Net 2014: A decade of protected area achievements in Australia](#). WWF-Australia, Sydney, pages 40-43.

⁵ Jacobs Report (2016). [Investing in the Great Barrier Reef as economic infrastructure](#).

⁶ Jacobs Report (2016). [Investing in the Great Barrier Reef as economic infrastructure](#).

⁷ Jacobs Report (2016). [Investing in the Great Barrier Reef as economic infrastructure](#).

⁸ Australian Conservation Foundation Media Brief (2016) 'Funding for environment in drastic decline – MYEFO set to make things worse', available at:

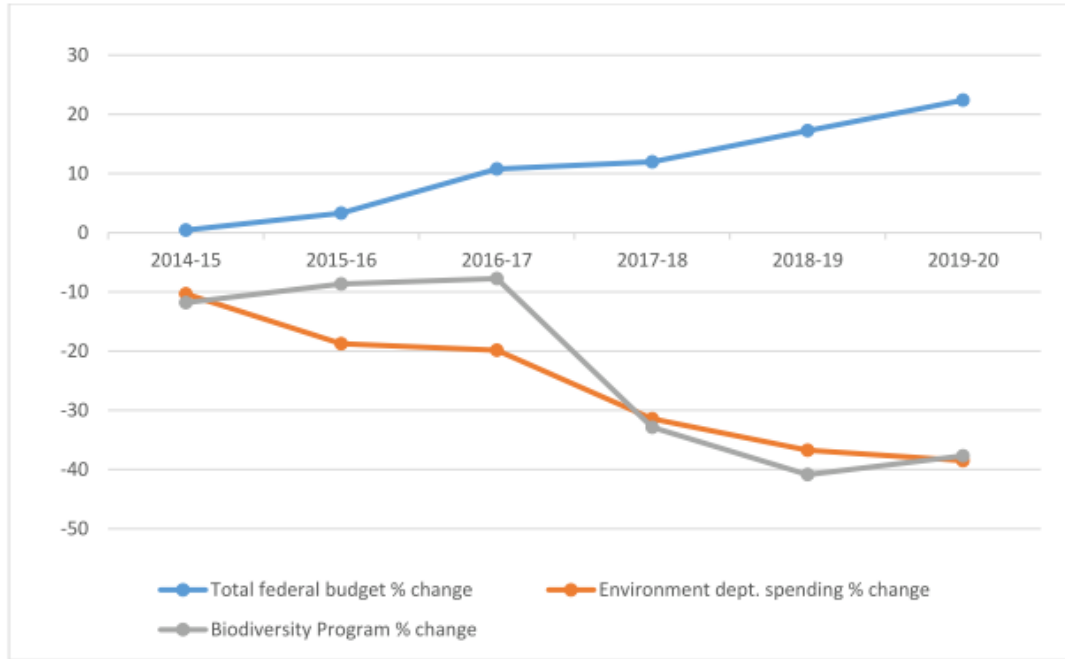
https://d3n8a8pro7vhm.cloudfront.net/auscon/pages/1526/attachments/original/1481681664/Federal_enviro_spending_brief_14-12-16.pdf?1481681664

⁹ Australian Conservation Foundation Media Brief (2016) 'Funding for environment in drastic decline – MYEFO set to make things worse', available at:

https://d3n8a8pro7vhm.cloudfront.net/auscon/pages/1526/attachments/original/1481681664/Federal_enviro_spending_brief_14-12-16.pdf?1481681664

of total government expenditure).¹⁰ This is a significant and worrying downturn.

Chart 2 – Percentage change in spending based on 2013-14



At the same time, since 2013 when funding for biodiversity began to decline, Australia’s climate pollution has continued to grow and species have continued to be lost. Three known vertebrates (2 mammals, 1 reptile) have become extinct since 2009.¹¹

A healthy Australian economy is not possible without a healthy environment. If biodiversity and habitat loss is to be halted, or reversed, and Australia is to transform its economy and energy systems in line with the Paris Climate Agreement commitments, then the Federal Government must invest. For that reason, restoring the environment budget to pre-2013 levels immediately, and in the near term increasing the budget to an amount that will fund the effective restoration of our water, soils, seas and biodiversity, and reduce Australian greenhouse gas emissions, should be given the same priority as other key economic issues.

Revenue measures which promote the health of the natural environment

Phase out of fuel tax credits scheme

The fuel tax credits scheme provides eligible businesses with a credit for the excise or customs duty included in the price of fuel used in their business activities. Fuel tax credits are only available to certain industries. This provides a financial advantage to those businesses over other businesses, and over households.

The government’s decision to reintroduce fuel excise indexation (which WWF welcomes) will lead to increases in claims under the fuel tax credits scheme by eligible businesses.

WWF proposes that the scheme be phased out by reducing the credit available to eligible businesses by 50% for the period 2017-2019 and then 100% from 2019-2020 onwards. The phase out of fuel tax

¹⁰ Australian Conservation Foundation Media Brief (2016) ‘Funding for environment in drastic decline – MYEFO set to make things worse’, available at: https://d3n8a8pro7vhm.cloudfront.net/auscon/pages/1526/attachments/original/1481681664/Federal_enviro_spending_brief_14-12-16.pdf?1481681664

¹¹ <https://www.environment.gov.au/system/files/resources/7c0b18b4-f230-444a-8ccd-162c8545daa6/files/nggi-quarterly-update-dec-2015.pdf>, <http://www.abc.net.au/news/2015-08-19/fact-check-does-australia-have-one-of-the-highest-extinction/6691026>

credits would promote economic growth, by allowing resources to flow to the most economically efficient businesses and sectors of the economy, be equitable and reduce greenhouse gas emissions.

	2016-17	2017-18	2018-19	2019-20	Period
	\$m	\$m	\$m	\$m	\$m
Budget expenditure: fuel tax credits scheme ¹²	6,236	6,466	6,672	7,070	26,444
Savings		3,233	3,336	7,070	13,639

Phase out of concessional rate of excise levied on aviation gasoline and aviation turbine fuel

Aviation gasoline and aviation turbine fuel are subject to a lower rate of excise than the benchmark rate identified by the Taxation Commissioner.¹³ This provides eligible businesses with a financial advantage over other businesses, and over households.

WWF proposes that the concessional rate of excise be phased out until it reduces the benchmark rate identified by the Taxation Commissioner, by reducing the concessional rate by 50% for the period 2017-2019 and then 100% from 2019-2020 onwards. The phase out of the concessional rate would promote economic growth, by allowing resources to flow to the most economically efficient businesses and sectors of the economy, be equitable and reduce greenhouse gas emissions.

	2016-17	2017-18	2018-19	2019-20	Period
	\$m	\$m	\$m	\$m	\$m
Tax expenditure: concessional rate of excise ¹⁴	1,240	1,310	1,390	1,460	5,400
Savings		655	695	1,460	2,810

Other opportunities to improve the sustainability of the Federal Budget

The Grattan Institute's [Balancing budgets - tough choices we need](#) report (November 2013) and its subsequent more detailed [budget policy](#) work, and the similar work undertaken by [The Australia Institute](#), identify a significant number of opportunities to improve the equity and sustainability of the Commonwealth budget.

(A) Expenditure contributing to the health of the natural environment

Measures to improve Great Barrier Reef water quality: Great Barrier Reef Water Science Taskforce (2016). *Final Report – Clean Water for a Healthy Reef*, May 2016: <http://www.gbr.qld.gov.au/documents/gbrwst-finalreport-2016.pdf>; Alluvium (2016). Costs of achieving

¹² Australian Government 2016, Budget Paper 1, Statement 5: Expenses and net capital investment, Fuel and energy, <http://www.budget.gov.au/2016-17/content/bp1/download/bp1.pdf>.

¹³ Australian Government – Treasury 2016, Tax Expenditures Statement 2015, http://www.treasury.gov.au/~media/Treasury/Publications/Publications/2016/Tax%20Expenditures%20Statement%202015/Downloads/PDF/2015_TES.ashx.

¹⁴ Australian Government 2016, Budget Paper 1, Statement 4: Revenue, Appendix A: Tax Expenditures, F7 Concessional rate of excise levied on aviation gasoline and aviation turbine fuel, <http://www.budget.gov.au/2016-17/content/bp1/download/bp1.pdf>.

the water quality targets for the Great Barrier Reef by Alluvium Consulting Australia for Department of Environment and Heritage Protection, Brisbane: <http://www.gbr.qld.gov.au/documents/costings-report.pdf>

Asia-Pacific Rainforest Recovery Fund (project plan available on request).

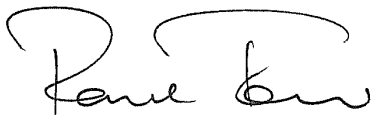
Threatened Species Recovery Fund (project plan available on request).

'A comprehensive and representative terrestrial national reserve system and a comprehensive, adequate and representative marine reserve system': Taylor MFJ, Fitzsimmons JA, Sattler PS, 2014. *Building Nature's Safety Net 2014: A decade of protected area achievements in Australia*. WWF-Australia, Sydney, pages 40-43, http://awsassets.wwf.org.au/downloads/bi038_building_natures_safety_net_2014_24nov14.pdf.

(B) Expenditure contributing to sustainable development in the Region

An enhanced Australian Aid program to promote prosperity, reduce poverty and enhance stability in the Region: *ACFID Submission to the 2017-18 Federal Budget*.

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