

# **Petroleum Excise (Prices) Regulations (Amendment) 1992 No. 410**

## **EXPLANATORY STATEMENT**

### **STATUTORY RULES 1992 No. 410**

Issued by the Authority of the Minister of State for Resources

Petroleum Excise (Prices) Act 1987

Petroleum Excise (Prices) Regulations (Amendment)

Section 14 of the Petroleum Excise (Prices) Act 1987 (the Act) provides that the Governor-General may make regulations for the purposes of the Act.

The purpose of the Act is to determine on a monthly basis a volume weighted average realised (that is, a VOLWARE) price for crude petroleum oil, which is used as the basis for determining excise payable under the Excise Tariff Act 1921.

The Act was initially confined to the Bass Strait producing region as this was the only region offshore producing excisable petroleum. The Act was subsequently amended to widen its application so that a VOLWARE price could be determined for onshore regions producing excisable petroleum. On 21 December 1990, the Petroleum Excise (Prices) Amendment Act 1990, (the Amendment Act) which put this change into effect, received the Royal Assent. Subsequent changes to the Regulations allow oil producing regions to be added to the Schedule with individual commencement dates.

The Amendment Act defined 'oil producing region' to mean one or more production areas within the meaning of the Excise Tariff Act 1921 from which stabilised crude petroleum oil is obtained, being the area or the areas that are together prescribed by the Regulations as an oil producing region. The Amendment Act also defined 'VOLWARE commencement date' in relation to excisable crude petroleum oil obtained from an oil producing region as the date after which final VOLWARE prices and interim VOLWARE prices for each month are calculated in relation to that oil, not being a date earlier than 31 December 1987.

The calculation of separate VOLWARE prices for different producing regions is necessary to prevent inequities in excise collection. These inequities arise from the fact that the realised prices of crude oil from different regions have been observed to differ and hence there are direct implications for the excise payable. In effect those producers with lower realised prices would pay relatively more excise than those with higher realised prices if a combined VOLWARE price were used as the basis for determining excise liability.

It has become apparent during 1992 that production from the Harriet/Lenita oil producing region is approaching the 4767.3 megalitres (30 million barrels) excise exempt limit prescribed in the Excise Tariff Act 1921. As a result the Regulations require amendment to include the Harriet/Lenita oil producing region in the Schedule to the Regulations so that a separate VOLWARE price can be determined for the region.

The calculation of a monthly VOLWARE reference price uses the price of Oman and Dubai crude oil to reflect movements in the oil market. These prices are currently sourced from the Platt's Oilgram Price Report. However, a significantly less costly data source is now available. In order to take advantage of the savings the Regulations need to be amended by deleting 'Platt's Oilgram Price Report' and inserting 'Reuters Database Services'.

The first part of the amendment would insert Reuters Database Services as the source of prices for Oman and Dubai crude oil used to determine the reference price. The commencement date

would be 1 February 1993. The second part of the proposed amendment to the Regulations inserts Harriet/Lenita in the Schedule. As the actual date on which cumulative production will exceed the excise exempt limit is not known precisely, it is proposed that the date of commencement be the date of gazettal of the amendment to the Regulations.