

9. FUEL AND ENERGY

NATURE OF OUTLAYS

Fuel and Energy covers outlays on coal, petroleum, gas, nuclear affairs, electricity and other energy including alternative fuels. It includes price control, research and measures designed to reduce consumption or increase production and support in the form of advances, grants or subsidies. It excludes outlays on the transportation of petroleum and gas which are classified to 12. *Transport and Communication* and the disposal of radioactive waste which is classified to 7. *Housing and Community Amenities*.

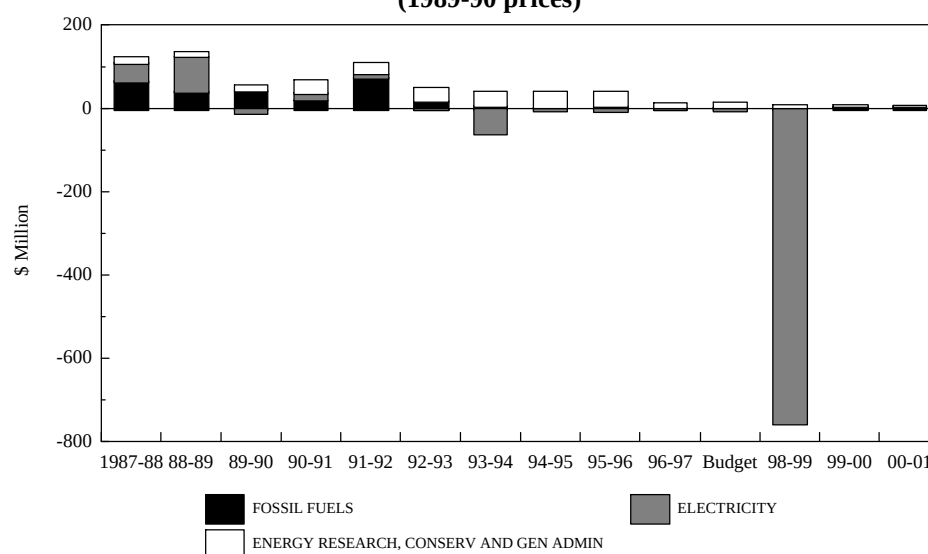
Commonwealth outlays in respect of this function include: payments to support micro-economic reform of electricity power supply; payments to State government departments for administration of petroleum production within the Commonwealth's jurisdiction; funding for Commonwealth outcomes in relation to promoting energy efficiencies for the benefit of industry and the community generally, and for the alternative energy industry specifically (i.e. renewable energy and energy conservation).

Not included under this function are the fuel and energy purchases of government departments and agencies used for operational purposes.

This function includes outlays of the following portfolios:

- Primary Industries and Energy; and
- Environment, Sport and Territories.

Chart 1. Overview of Commonwealth Outlays on Fuel and Energy (1989-90 prices)



TRENDS IN FUEL AND ENERGY OUTLAYS

Fuel and energy outlays have declined significantly since the late 1980s (Chart 1) primarily through reduced Commonwealth involvement in the coal industry and sale of the Gladstone Power Station to Queensland in 1993-94 (leading to a negative outlay in that year).

The negative outlays in 1998-99 reflect the refinancing and repayment of debt to the Commonwealth following the expected corporatisation of the Snowy Mountains Hydro-electric Authority (SMHEA).

1997-98 AND FORWARD ESTIMATES

		1996-97 Estimate	1997-98 Budget	1998-99 Estimate	1999-00 Estimate	2000-01 Estimate
9.1	Fossil Fuels	\$m 3.5	3.5	3.5	3.5	3.5
		%	-	-	-	-
9.2	Electricity	\$m -2.4	-4.4	-913.8	2.2	2.3
		%	83.3	na	-100.2	4.5
9.3	Energy Research, Conservation and General Administration	\$m 11.9	13.5	7.3	5.4	2.7
		%	13.4	-45.9	-26.0	-50.0
	TOTAL	\$m 13.1	12.6	-902.9	11.2	8.5
		%	-3.8	na	-101.2	-24.1

9.1 FOSSIL FUELS

Outlays provide reimbursement to State government departments for administration of petroleum exploration and production leases within Commonwealth jurisdiction.

9.2 ELECTRICITY

Outlays include provision in 1998-99 for the refinancing and repayment by the corporatised Snowy Mountains Scheme of Commonwealth debt assumed by the company at corporatisation expected early in 1998. The debt will correspond to the market value of existing SMHEA borrowings (advances and inscribed stock). New South Wales (NSW) and Victoria will have a majority shareholding consistent with existing entitlements to electricity generated by the Scheme. Detailed corporatisation arrangements are being developed in accordance with principles agreed by the Commonwealth, NSW and Victoria.

The 1997-98 outlays include scheduled repayments of Commonwealth debt by SMHEA and payments to the administration of Christmas and Cocos Islands to cover the shortfall in the costs of electricity supply.

9.3 ENERGY RESEARCH, CONSERVATION AND GENERAL ADMINISTRATION

Outlays for this classification are expected to fall over the forward years primarily for two reasons. The major factor is the winding up of the Energy Research and Development Corporation. An additional reason is the savings achieved through the rationalisation of the National Energy Efficiency Programme, which funds a programme of cooperative arrangements to facilitate improved energy end use efficiency.

The running costs of the Department of Primary Industries and Energy to support fuel and energy responsibilities comprise the remainder of outlays.