



ENERGY POLITICS

petrol pump

Policy Options Palatable as Road Kill

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The Iranian war and consequent reduction in fuel supplies has brought diesel, petrol, and LPG price increases for consumers with widespread reported shortages. In one response to this, the state opposition leaders in South Australia and Victoria have called for a compensatory reduction in excise taxes. These calls have been echoed by One Nation and even some Teals. Treasurer Jim Chalmers accused shadow treasurer Tim Wilson of dropping “a clanger” in claiming the government was

benefitting from increased prices on fuels when the main revenue is a fixed excise (52.6 cents per litre).

In fact, a tax cut to mitigate the effects of diminished supplies is exactly the wrong policy response. Lower supplies require some form of rationing, at least eventually, and prices (perhaps with subsidies to some “essential” services) offer the best, most neutral means of doing this. Higher prices tend to choke off the least essential and least valued uses, thereby somewhat offsetting the scarcity aspect, even for products like petrol, diesel and LPG, the demand for which is relatively unresponsive to price changes.

Whilst state and federal treasuries normally push back against notions that taxes are hypothecated for specific expenditure lines, the various vehicle taxes were originally justified as revenues earmarked for public road spending. They remain so - hence the exemption of diesel fuel for off-road usage. In this respect, Tim Wilson’s claim of over-recovery remains correct. Data shows that spending on roads has been considerably lower than the specific road-use taxes collected, although the difference has narrowed in recent years.

Part of this narrowing (about \$1.5 billion of \$45 billion in taxes collected) is due to EV/hybrid vehicle tax concessions. These include lower direct taxes and the absence (partial for hybrids) of fuel excise taxes. The revenue foregone due to the increased number of EV and hybrid vehicles is small but showing explosive growth. In 2025 EV/hybrids represented 13% of new vehicle sales and now account for 6% of the national fleet. This is causing Treasury to revise its view on hypothecation and seek ways to restore the revenue loss.

The EV lobby and climate activists justify tax concessions on the basis that these vehicles reduce greenhouse gas emissions. Of course, greenhouse gas emissions in general, and certainly the one per cent global share of gross emissions attributable to Australia, are groundless causes of concern – and even if they were, Australia’s massive area makes it a net sink of such emissions. Moreover, it is doubtful that the saved emissions from oil are offset by those from the coal-based electricity charging batteries.

But even though the government continues to accept the specious claims about EVs reducing emissions, these fears are trumped by its interests in maintaining its tax base. Unsurprisingly, Treasury is **reportedly** running the numbers for restoring revenues by a fuel-equivalent tax on EVs/hybrids. At the same time, the differentials of diesel, petrol, and LPG taxes should be eliminated. In terms of energy content, petrol is presently taxed at about 10% more than diesel and LPG is taxed at half the rate of diesel.

But governments typically and unblushingly value a dollar that accrues to themselves as more valuable than the dollar extracted from taxpayers. Hence, it is unlikely that the Treasurer, who has never seen a tax he doesn't like, will take this review of vehicle taxes as an opportunity to restore a balance between the sums raised and those spent on roads.