

Operation of the product stewardship arrangements for oil, including the *Product Stewardship (Oil) Act 2000*

This annual report is prepared in accordance with section 35 of the *Product Stewardship (Oil) Act 2000*, and covers the operation of the Act and the operation of the Product Stewardship for Oil Programme (formerly known as the Product Stewardship Arrangements for Waste Oil) from 1 July 2003 to 30 June 2004.

Overview

The Product Stewardship for Oil Programme came into effect on 1 January 2001, fulfilling the Australian Government's May 1999 commitment outlined in the Measures for a Better Environment package. The programme's objectives are to:

- provide economic incentives to increase the uptake and appropriate recycling and use of waste oil;
- encourage the environmentally sustainable management and re-refining of waste oil and its reuse; and
- support economic recycling options for waste oil.

For more information on oil recycling, see www.oilrecycling.gov.au or www.deh.gov.au/oilrecycling.

Key features of the Product Stewardship for Oil Programme

The Product Stewardship for Oil Programme consists of three elements—the product stewardship levy on oils; product stewardship benefits; and transitional assistance.

The product stewardship levy was introduced on 1 January 2001 and the rate is currently fixed at 5.449 cents per litre. The levy applies to both domestic and imported oils, and is paid by oil producers and importers. Under the levy arrangements, no oil is levied twice, no 'eligible' lubricant escapes the levy,

imported and domestic oils are treated equitably, and exported oil is not levied. The levy is collected as an excise by the Australian Taxation Office and as customs duty by the Australian Customs Service.

Product stewardship saw an increase in oil recycling, with improved environmental outcomes. Eligibility requirements for Product Stewardship for Oil Programme benefits are set out in the *Product Stewardship (Oil) Act 2000*, the *Product Grants and Benefits Administration Act 2000*, and the associated regulations. Benefits are provided at different rates, depending on the type of product produced—the lowest benefit being provided for basic burner fuels, and the highest for full recycling into a lubricant base oil. Table 1 shows the 2003–04 benefit rates. A review of the *Product Stewardship (Oil) Act 2000* and associated benefits, as required by the legislation, will be completed in 2004.

Table 1: Product stewardship benefit rates 2003–04

Category	Benefit (cents per litre)
1: Re-refined base oil (for use as a lubricant or a hydraulic or transformer oil) that meets the prescribed criteria ^(a)	50
2: Other re-refined base oils (for example, chain bar oil)	10
3: Diesel fuels to which the Excise Tariff Act 1921 applies	7
4: Diesel extenders (filtered, de-watered and de-mineralised)	5
5: High grade industrial burning oils (filtered, de-watered and de-mineralised)	5
6: Low grade industrial burning oils (filtered and de-watered)	3
7: Industrial process oils and process lubricants, including hydraulic and transformer oils (re-processed or filtered, but not re-refined)	0
8. Gazetted oil consumed in Australia for a gazetted use	5.449
9. Recycled oil mentioned in item 5 or 6 that has been blended with a petroleum product that meets the criteria mentioned in schedule 2	9.557

^(a) The regulations specify a health, safety and environment standard for re-refined lubricants that is consistent with the current requirements for 'virgin' products. The basic requirement of this standard is to produce a non-carcinogenic and non-toxic product.

Source: Product Stewardship (Oil) Regulations 2000 (as amended April 2004).

In establishing the Product Stewardship for Oil Programme, transitional assistance funding of \$60 million was allocated over four years commencing on 1 July 2000. In the 2003–04 Budget the Australian Government, in collaboration with the Australian Democrats, announced that transitional assistance funding would be reduced from \$60 million to \$34.5 million and extended to 2006–07. The funding is provided to stimulate the uptake of environmentally sustainable management and re-refining of waste oil and its reuse. The funding complements the levy–benefit arrangements and is an interim measure to engender change that will ensure the long-term viability of the oil recycling industry.

Legislative basis of the Product Stewardship for Oil Programme

The Product Stewardship for Oil Programme is underpinned by a package of legislation and associated regulations.

- The *Product Stewardship (Oil) Act 2000* is the primary piece of legislation that establishes the general framework and benefit entitlements. The policy settings for the stewardship arrangements are established and governed by the Minister for the Environment and Heritage. The Act also establishes the Oil Stewardship Advisory Council (see Table 5).
- The product stewardship benefit rates are prescribed in the Product Stewardship (Oil) Regulations 2000.
- The *Excise Tariff Amendment (Product Stewardship for Waste Oil) Act 2000* and the *Customs Tariff Amendment (Product Stewardship for Waste Oil) Act 2000* (and associated regulations) establish the product stewardship levy.
- The *Product Stewardship (Oil) (Consequential Amendments) Act 2000* contributes to the establishment of the levy and the general administrative provisions in the *Product Grants and Benefits Administration Act 2000*.
- The *Product Grants and Benefits Administration Act 2000*, as amended, sets out eligibility criteria and establishes the administrative mechanisms used by the Australian Taxation Office to pay benefits to recyclers.

Transitional assistance administration, including general running costs of the Product Stewardship for Oil Programme and general grant funding, is managed under the *Appropriation (Supplementary Measures) Act (No. 2) 1999*.

Financial information

This section reports on the financial arrangements for the Product Stewardship for Oil Programme for the period 1 July 2003 to 30 June 2004, including levy collections and benefit payments. Information on transitional assistance expenditure is set out under the heading 'Transitional assistance'.

General operation

The Department, the Australian Taxation Office and the Australian Customs Service continue to work together to ensure that the Product Stewardship for Oil Programme is simple to administer and understand. The general administration of the programme is progressing well, with 14 applications for registration during 2003–04, bringing to 66 the number of recyclers registered for benefits as at 30 June 2004. The majority of these are new registrations to claim under categories 8 and 9.

The Australian Taxation Office audit programme from previous years continued, with a further three companies being subjected to an audit.

Information on registering for benefit payments can be obtained from the Australian Taxation Office fuel schemes web site at www.ato.gov.au/businesses.

Product stewardship levy

In 2003–04, total revenue collected from the product stewardship levy was \$28 million. This comprised \$23.9 million in excise collection on domestic production and \$4.1 million in customs duty on imported oils. An amount of \$2.3 million was paid back to clients in the form of drawbacks, (where the oils were exported) and refunds, bringing the balance of revenue from the levy to \$25.7 million.

Levy collections are recorded against a number of categories based on the type of oil, and customs duty is recorded under international customs classifications. Tables 2 and 3 show excise and customs tariff collections for 2003–04 by category.

Table 2: Product stewardship levy collection (excise) by category 2003-04

Item number	Category	Levy collected
1501	Lubricant base oil	\$5 600 282
1502	Prepared lubricant additives	\$1 293 005
1503	Engine lubricant	\$9 072 578
1504	Gear, transmission, transformer and heat transfer oils	\$3 779 670
1505	Hydraulic and brake fluids	\$2 201 184
1506	Metal working and process oils	\$1 342 090
1513	Petroleum based greases and synthetic equivalents	\$572 240
	Total	\$23 861 050

Table 3: Product stewardship levy collection (customs tariff) by category 2003-04

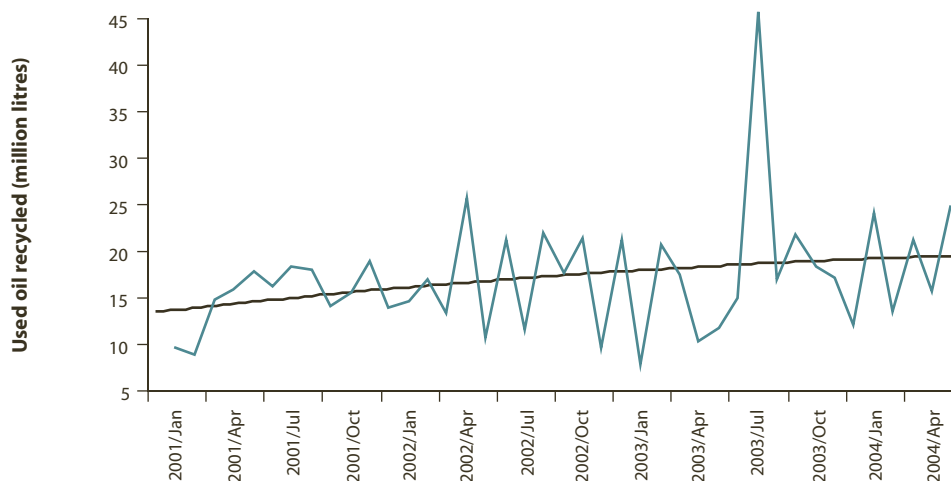
Item number	Category	Levy collected
27101991	Petroleum based oils including lubricants, hydraulic fluids and transformer oils	\$2 048 514
27101992	Petroleum based greases	\$144 253
27109191	Petroleum based oils including lubricants, hydraulic fluids and transformer oils	\$58 698
27109192	Petroleum based greases	\$1 224
27109991	Petroleum based oils including lubricants, hydraulic fluids and transformer oils	\$150 480
27109992	Petroleum based greases	\$21 430
34031110	Preparations for the treatment of textiles, containing petroleum oils, solid	\$1 048
34031190	Preparations for the treatment of textiles, containing petroleum oils, liquid	\$4 244
34031910	Other preparations (for example, cutting oil, anti-corrosion) containing petroleum oils, solid	\$20 582
34031990	Other preparations (for example, cutting oil, anti-corrosion) containing petroleum oils, solid	\$265 957
34039110	Preparations for the treatment of textiles, containing petroleum oils, solid	\$20 799
34039190	Preparations for the treatment of textiles, not containing petroleum oils, solid	\$23 958
34039910	Other preparations (for example, cutting oil, anti-corrosion) not containing petroleum oils, solid	\$94 549
34039990	Other preparations (for example, cutting oil, anti-corrosion) not containing petroleum oils, liquid	\$324 486
38112110	Additives for lubricating oil, containing petroleum oils, solid	\$15 586
38112190	Additives for lubricating oil, containing petroleum oils, liquid	\$884 500
38190000	Hydraulic brake fluids	\$63 519
	Total	\$4 143 828

Product stewardship benefits

A total of \$13.2 million was paid as product stewardship benefits in 2003–04, with \$12.5 million paid to recyclers for the recycling of used oil. This is an increase of approximately 12.5 per cent on 2002–03. This increase is partly attributable to the company that is claiming benefit payments under Category 1 achieving full production during the year. The volume of oil on which benefits were paid in 2003–04 was 233 million litres, compared to 193.37 million litres in 2003–03. Industry estimates indicated that 150 to 165 million litres of oil were being recycled prior to implementation of the Product Stewardship for Oil Programme. Several more years of data are required to establish reliable trends in recycling levels.

Figure 1 shows the increase in the volume of used oil recycled since the commencement of the Product Stewardship for Oil Programme.

Figure 1: Volume of used oil recycled per month over the life of the Product Stewardship for Oil Programme.



The large spike shown in the graph below was due to a backdated claim covering several months of recycling activity. Table 4 provides a breakdown by product category for 2003–04, indicating volumes recycled and benefit payments provided.

Table 4: Product stewardship benefit payments by category 2003–04

Category	Benefit payments	litres
1. Re-refined base oil (for use as a lubricant or a hydraulic or transformer oil) which meets the specified criteria	\$2 769 345	5 538 690
2. Other re-refined base oils	Nil	Nil
3. Diesel fuels to which the <i>Excise Tariff Act 1921</i> applies	\$1 617 365	23 105 219
4. Diesel extenders (filtered, de-watered and de-mineralised)	Nil	Nil
5. High grade industrial burning oils (filtered, de-watered and de-mineralised)	\$4 911 600	98 232 004
6. Low grade industrial burning oils (filtered and de-watered)	\$3 192 708	106 423 626
7. Industrial process oils and lubricants, including hydraulic and transformer oils (re-processed or filtered, but not re-refined)	Nil	Data not available
8. Gazetted oil consumed in Australia for a gazetted use	\$515 550	9 461 369
9. Recycled oil mentioned in item 5 or 6 that has been blended with a petroleum product that meets the criteria mentioned in schedule 2	\$213 900	3 925 491
Used oil recycled (excludes categories 8 and 9 ^(a))	\$12 491 019	233 299 539
Total	\$13 220 469	246 686 399

^(a) Benefits paid under categories 8 and 9, which were implemented as part of the regulatory changes with effect from 1 February 2004, do not contribute to the overall volume of used oil recycled

Regulatory amendments to the product stewardship benefits during 2003–04

In response to issues identified by industry, the Australian Government implemented two regulatory changes in the reporting period, establishing two additional benefit categories—categories 8 and 9. Category 8 exempts certain products from the product stewardship levy and Category 9 offsets excise changes which took effect as of 1 February 2004.

The Product Stewardship (Oil) Legislation Amendment Bill (No. 1) 2003 was introduced into the Parliament by the Minister on 27 March 2003. The effect of the Bill was to provide a refund of the levy paid for certain ‘dual use’ oils that do not create a recyclable waste oil stream and are considered to pose a low level of risk to the environment. The new benefit category, Category 8, came into effect on 1 December 2003.

In 2004, an additional regulatory change was made to offset additional costs incurred by the recycling industry as a result of the removal of excise remissions under the Excise Tariff Act. This additional category was developed to ensure production of the recycled fuel oil remained competitive, ensuring the ongoing protection of the environment by maintaining existing recycling processes and markets. Category 9 benefits are payable to producers of a specific recycled oil product that is produced by blending industrial burning oil with used oil. Eligible recyclers can claim Category 9 benefits in addition to benefits under categories 5 or 6.

Oil Stewardship Advisory Council

The Oil Stewardship Advisory Council provides advice to the Minister on the product stewardship mechanisms and their operation, the oil recycling and oil production industries and markets.

Part 3 of the *Product Stewardship (Oil) Act 2000* establishes the council. Members are drawn from a range of backgrounds so that the oil producing and recycling industries, state and local governments, consumers, and other non-government interests are appropriately represented and can contribute to formulating advice on the Product Stewardship for Oil Programme. The environment and heritage portfolio and the Commissioner of Taxation represent the Australian Government.

Table 5: Membership of the Council as at 30 June 2004

Member	Representing
Mr Mike Williamson	Chairman
Mr Peter Holt	Commissioner of Taxation
Mr Peter Burnett	Environment and Heritage Portfolio
Mr Ewen Macpherson	Australian Institute of Petroleum
Mr Bob Pullinger	Australian Oil Recyclers Association
Mr Gary O'Connor	Environment Protection and Heritage Council
Mr Mark Borlace	Royal Automobile Association of South Australia
Mr Paul Howlett	Waste Management Association of Australia
Ms Catherine Halliday	Additional member (community representative)
Mr Harold Grundell	Additional member (oil recycler)
Mr Martin Kirwan	Additional member (oil recycler)
Mr Fred Wren	Additional member (oil recycler)

The council held one meeting in 2003–04—in Brisbane on 27 November 2004.

Transitional assistance

Transitional assistance funding is provided under Product Stewardship for Oil Programme to facilitate projects that remove structural barriers to oil recycling, such as lack of adequate infrastructure or technology. In addition, the funds are used to cover the operating costs of the Product Stewardship for Oil Programme, including the relevant running costs of the Department, the Australian Taxation Office and the Oil Stewardship Advisory Council.

Priority areas identified for funding include:

- improving the environmentally responsible management of waste oil;
- general waste oil market development and expansion;
- related environmental issues such as handling and management of filters, drums and ‘do it yourself’ packaging; and
- community and industry awareness of waste oil management issues.

In 2003–04, \$6.25 million was spent on transitional assistance. The total amount allocated to transitional assistance over the life of the programme is \$34.5 million.

The transitional assistance funds may be provided through specific grants or projects, consultancies and/or strategic partnerships for the provision of goods and services.

Projects and funding 2003–04

Recognising that the lack of adequate waste oil collection facilities, particularly in rural Australia, was a major barrier to the collection and recycling of greater amounts of waste oil, the Minister approved the establishment of the Local Government Waste Oil Collection Infrastructure Small Grants Programme.

Since the inception of the programme in 2001, 267 grants have been awarded to 309 local government organisations, totalling just over \$6.6 million. The grants are for the purchase and installation of used oil collection facilities that meet relevant environmental regulations. Many of these facilities have been completed and are operational.

Information about the locations of used oil collection facilities across Australia is available at www.oilrecycling.gov.au.

The Australian Government continued to work with the states and territories, with the aim of completing the used oil collection infrastructure network over 2003–04 and 2004–05. In 2002–03, \$550 000 was awarded to EcoRecycle Victoria, \$1.49 million to the Queensland Environmental Protection Agency and \$1.63 million to the Western Australian Local Government Association to enable a coordinated approach to the purchase and installation of used oil facilities by local government in those states.

Community and industry awareness

As outlined above, significant funding has been allocated to providing collection infrastructure. To improve community and industry awareness, transitional assistance funding was allocated to a communications and advertising campaign.

The campaign aims to increase the awareness of the benefits of used oil recycling and availability of the increased number of collection facilities.

A national advertising campaign commenced on 16 May 2004, with advertisements being run on radio, in newspapers, magazines and selected Internet sites. The campaign is due to finish in August 2004.

Supporting the advertising campaign was the launch of a new oil recycling web site which featured a searchable mapping facility and information on oil recycling and how to safely recycle used oil.

A series of educational segments were produced for screening on a television programme titled *On the Land*. The segments focused on how local government and communities in various areas around Australia have dealt with used oil and the benefits they have achieved by participating in the Product Stewardship for Oil Programme. A total of 17 segments are being produced and will be screened on the *On The Land* programme from September 2003 until late 2004.

The Product Stewardship for Oil Programme will continue to work with stakeholders on communication activities to ensure the benefits of recycling used oil continue to be promoted.

Operating expenses

The Department's operating costs for 2003–04 were \$1 million. This covers all costs associated with running the Product Stewardship for Oil Programme, including staff salaries and allowances, consultancies, advertising (for example, for tenders) and other related expenses.

The Australian Taxation Office's operating costs were \$517 300. This includes the costs of processing registrations and claims for benefits, compliance monitoring and client liaison.

The Oil Stewardship Advisory Council's operating costs were \$27 994. This includes all costs related to the activities of the 12-member advisory council including venue hire, sitting fees, air fares and other travel costs and allowances.

Programme reviews

Two independent reviews associated with the Product Stewardship for Oil Programme were undertaken during 2003–04—a review of the Transitional Assistance Element of the Product Stewardship for Oil Programme and a review of the *Product Stewardship (Oil) Act 2000*. Public consultation sessions for both reviews were undertaken in early 2004, with draft reports being made available for comment. Both reviews will be completed during the 2004 calendar year and will be tabled in Parliament. Once tabled, the reports will become public and will be made available at www.oilrecycling.gov.au.

The Government will respond to the recommendations made by the reviews in due course.