



Operation of the Product Stewardship for Oil Program and 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 that Act and the operation of the Product Stewardship for Oil Program, from 1 July 2008 to 30 June 2009.

Purpose of the Program

The Product Stewardship for Oil Program came into effect on 1 January 2001. The program's objectives are to:

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

The program aims to develop different forms of recycling and a diverse range of products and markets for recycled oil, to help ensure the long-term viability of the used oil recycling industry in Australia.

Features of the program

The Product Stewardship for Oil Program consists of an economic incentives package (a levy/benefit scheme).

The product stewardship oil levy was introduced on 1 January 2001. It is currently set at 5.449 cents per litre of lubricant oil produced or sold in Australia. The levy applies to both domestic and imported oils and is paid by oil producers and importers. Under the levy arrangements, no eligible lubricant escapes the levy; imported and domestic oils are treated

equally but 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.

While the levy is intended to offset the cost of benefits paid under the Product Stewardship for Oil Program, it is not directly connected to benefit payments.

Product stewardship benefits are paid to recyclers as a volume-based incentive to encourage increased oil recycling. Benefits are provided at different rates, depending on the type of product—the lowest benefits are provided for basic burner fuels and the highest for full recycling into, as-new, re-refined base oil. Table 1 shows the 2008-09 benefit rates.

Benefit rates do not directly reflect the comparative effort involved in recycling, or the environmental benefit achieved. Rates were set by determining the amount of incentive required for industry to undertake and increase each form of recycling. Some forms of recycling require more incentive than others.

Table 1: Product stewardship benefit rates in 2008–09

<i>Category</i>	<i>Product</i>	<i>Benefit (cents per litre)</i>
1.	Re-refined base oil (for use as a lubricant or as hydraulic or transformer oil) that meets the prescribed criteria ¹	50
2.	Other re-refined base oils (for example, chain bar oil)	10
3.	Diesel fuels that comply with the Fuel Standard (Automotive Diesel) Determination 2001, as in force from time to time	7
4.	Diesel extenders: (a) that are filtered, de-watered and de-mineralised (b) that, if combined with diesel fuels, would produce a combined fuel that complies with the determination mentioned in category 3	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 category 5 or 6 that has been blended with a petroleum product that meets the criteria mentioned in schedule 2 of the Regulations of the Act ²	9.557
	Additional benefit 1 July 2008 to 30 June 2009 ³	3.3
	Additional benefit 1 July 2007 to 30 June 2008 ⁴	6.7
	Additional benefit 1 July 2006 to 30 June 2007 ⁵	10.057

Notes:

1 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.

2 Category 9 ceased as of 30 June 2006. Claims could be submitted until 30 June 2009, if the used oil was recycled and sold for use (or used by the claimant) prior to 30 June 2006.

3 The additional benefit is separate from categories 1 to 9. All category 5 and 6 claimants are eligible to claim the additional benefit.

4 The 6.7 cent per litre additional benefit ceased as of 30 June 2008. Claims may still be submitted if the used oil was recycled and sold for use (or used by the claimant) prior to 30 June 2008.

5 The 10.057 cent per litre additional benefit ceased as of 30 June 2007. Claims may still be submitted if the used oil was recycled and sold for use (or used by the claimant) prior to 30 June 2007.

Transitional Assistance funding

In establishing the Product Stewardship for Oil Program, transitional assistance funding of \$34.5 million over seven years (2001–07) was allocated, to stimulate the uptake of environmentally sustainable management and re-use of used oil. The funding complemented the levy/benefit arrangements and was an interim measure to engender change that would help ensure the long-term viability of Australia's oil recycling industry.

A small number of projects funded by transitional assistance grants are continuing. All projects will be completed by mid-2010.

Legislative basis of the program

The program 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, Heritage and the Arts. The Act also establishes the Oil Stewardship Advisory Council (see Table 2).
- The Product Stewardship (Oil) Regulations 2000 prescribe the product stewardship benefit rates.
- 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*, sets out eligibility criteria and establishes the administrative mechanisms used by the Australian Taxation Office to pay benefits to recyclers.

Oil Stewardship Advisory Council

The Oil Stewardship Advisory Council provides advice to the Minister for the Environment, Heritage and the Arts on: the product stewardship mechanisms and their operation; on the oil recycling and oil production industries; and on markets for recycled used oil products. 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 organisations, can contribute to formulating advice on the Product Stewardship for Oil Program. The department and the Commissioner of Taxation represent the Australian Government.

Table 2: Membership of the Oil Stewardship Advisory Council as at 30 June 2009

<i>Member</i>	<i>Representing</i>
Mr Mike Williamson	Broad waste management issues, from a business perspective
Mr Peter Harding	Commissioner of Taxation
Ms Kelly Pearce	Department of the Environment, Water, Heritage and the Arts
Mr Paul Barrett	Oil production
Mr Bob Pullinger	Used oil recycling
Mr Gary O'Connor	Environment Protection and Heritage Council
Mr Mark Borlace	National consumer issues
Mr Paul Howlett	Non-government sector
Mr Harold Grundell	Used oil recycling
Mr Fred Wren	Used oil recycling
Mr Tim Rose	Used oil recycling

Note: The council last met on 5 February 2009, in Canberra.

Financial information

This section reports on the financial arrangements for the Product Stewardship for Oil Program, for the period 1 July 2008 to 30 June 2009, including levy collections and benefit payments.

Operational aspects of the Program

The department, the Australian Taxation Office and the Australian Customs Service continued to work together to administer the program. There was one application for registration during 2008–09, which was under category 6. There were 83 recyclers registered for benefits, and 29 active recyclers, as at 30 June 2009.

The Australian Taxation Office audit program from previous years continued, with two audits conducted in 2008–09.

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

Product stewardship levy

In 2008–09, total revenue collected from the product stewardship levy was \$27.5 million, comprising: \$20.0 million in excise collections on domestic production and \$7.5 million in customs duty on imported oils. An amount of \$2.2 million was paid back to clients in the form of drawbacks (for export) and refunds, bringing the balance of revenue from the levy to \$25.3 million.

Levy collections are recorded against a number of categories, based on the type of oil. Customs duty is recorded under international customs classifications. Tables 3 and 4 show excise and customs tariff collections for 2008–09, by category.

Product stewardship benefits

A total of \$40.5 million was paid as product stewardship benefits in 2008–09, with \$38.9 million paid to recyclers for recycling used oil. This is an increase of \$4.9 million in benefits for recycling compared to 2007–08.

In 2008–09 benefits were paid on 269 million litres of oil, compared to 253 million litres in 2007–08. Figure 1 shows the annual volume of used oil recycled since the program began. The industry estimates that 150–165 million litres of oil were being recycled annually before the Product Stewardship for Oil Program began in 2001.

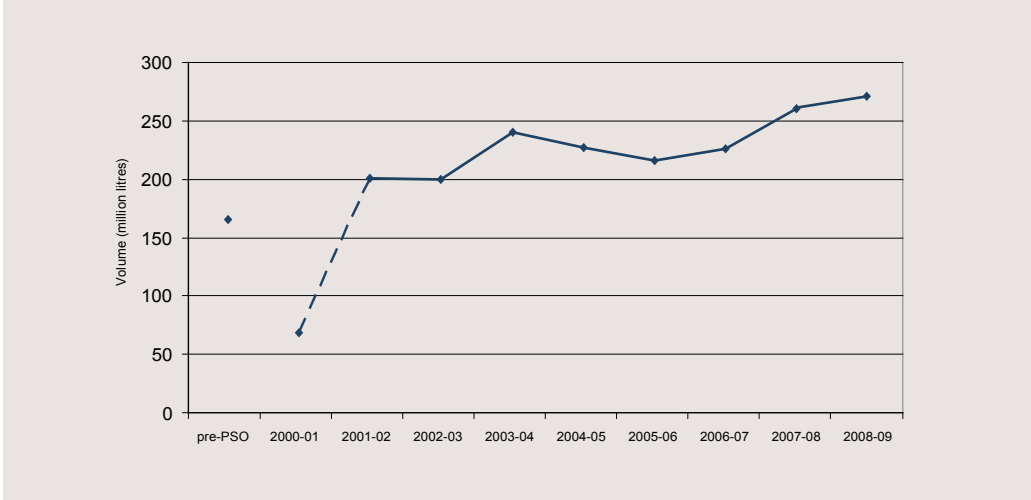
Table 3: Product stewardship levy collection (excise) by category

<i>Item number</i>	<i>Category</i>	<i>Levy collected</i>
15.1	Lubricant base oils	\$18,365,526
15.2	Lubricant base oils (recycled)	\$1,315,316
15.3	Petroleum based greases and their synthetic equivalents	\$341,603
	Total	\$20,022,445

Table 4: Product stewardship levy collection (customs tariff) by category

<i>Item number</i>	<i>Category</i>	<i>Levy collected</i>
27101991	Petroleum based oils including lubricants, hydraulic fluids and transformer oils	\$4,144,872
27101992	Petroleum based greases	\$511,168
27109191	Petroleum based oils including lubricants, hydraulic fluids and transformer oils	\$40,429
27109192	Petroleum based greases	\$2,256
27109991	Petroleum based oils including lubricants, hydraulic fluids and transformer oils	\$22,561
27109992	Petroleum based greases	\$3,385
34031110	Preparations for the treatment of textiles, containing petroleum oils, solid	\$2,121
34031190	Preparations for the treatment of textiles, containing petroleum oils, liquid	\$1,039
34031910	Other preparations (for example, cutting oil, anti-corrosion) containing petroleum oils, solid	\$53,976
34031990	Other preparations (for example, cutting oil, anti-corrosion) containing petroleum oils, solid	\$366,613
34039110	Preparations for the treatment of textiles, containing petroleum oils, solid	\$5,051
34039190	Preparations for the treatment of textiles, not containing petroleum oils, solid	\$8,720
34039910	Other preparations (for example, cutting oil, anti-corrosion) not containing petroleum oils, solid	\$78,606
34039990	Other preparations (for example, cutting oil, anti-corrosion) not containing petroleum oils, liquid	\$343,395
38112110	Additives for lubricating oil, containing petroleum oils, solid	\$83,044
38112190	Additives for lubricating oil, containing petroleum oils, liquid	\$1,712,159
38190000	Hydraulic brake fluids	\$84,599
	Total	\$7,463,994

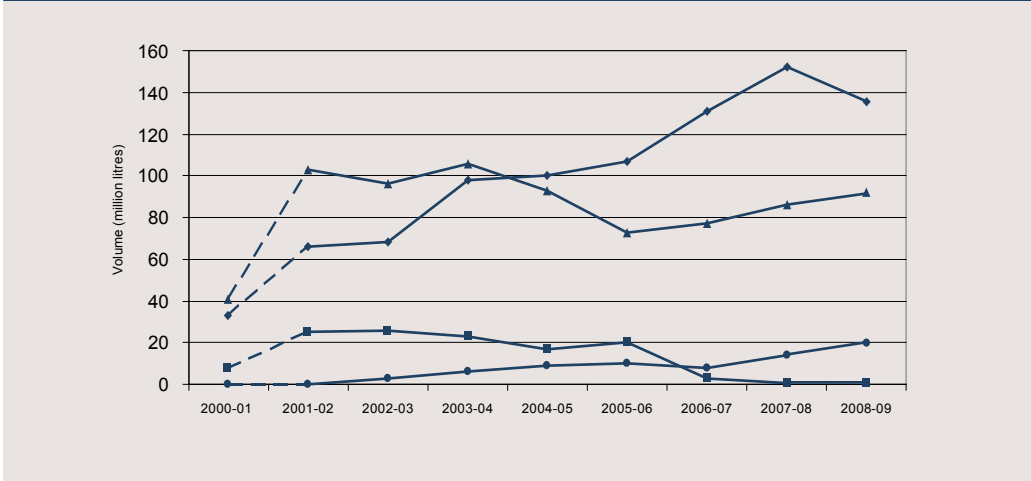
Figure 1: Annual volume of oil recycled since the Product Stewardship for Oil Program began



Note: The pre-PSO program value is an industry estimate. Program benefits commenced in January 2001, therefore the 2000–01 value was derived from only six months data.

Figure 2: Annual volume of recycled oil in each category since the Product Stewardship for Oil Program began

 Category 1
 Category 3
 Category 5
 Category 6



Note: Volumes reported for Categories 2 and 4 are too small to chart. Categories 8 and 9, and the additional benefit do not contribute to the overall volume of used oil recycled. Program benefits commenced in January 2001, therefore the 2000–01 value was derived from only six months data.

Figure 2 shows the annual volume of used oil claimed in each category since the program began. Table 5 provides a breakdown by product category for 2008–09, indicating volumes recycled and benefit payments.

The volume of used oil claimed for in category 1 in 2008–09 increased by 25 million litres on the amount recycled during 2007–08. The volume claimed in category 5 decreased by 17 million litres while the volume in category 6 increased by 6 million litres.

Table 5: Product stewardship benefit payments by category in 2008–09

<i>Category</i>	<i>Benefit payments</i>	<i>Litres</i>
1. Re-refined base oil (for use as a lubricant or a hydraulic or transformer oil) that meets the specified criteria	\$20,176,775	40,353,550
2. Other re-refined base oils (for example, chain bar oil)	\$0	0
3. Diesel fuels that comply with the Fuel Standard (Automotive Diesel) Determination 2001, as in force from time to time	\$0	0
4. Diesel extenders: (a) that are filtered, de-watered and de-mineralised (b) that, if combined with diesel fuels, would produce a combined fuel that complies with the determination mentioned in category 3	\$0	0
5. High grade industrial burning oils (filtered, de-watered and de-mineralised)	\$6,851,391	137,027,812
6. Low grade industrial burning oils (filtered and de-watered)	\$2,748,335	91,611,152
7. Industrial process oils and lubricants, including hydraulic and transformer oils (re-processed or filtered, but not re-refined)	\$0	0
8. Gazetted oil consumed in Australia, for a gazetted use ¹	\$1,656,446	30,399,088
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 of the Regulations of the Act 1	\$0	0
Additional benefit 1 July 2006 to 30 June 2007 ^{1,2}	\$772,104	7,677,281
Additional benefit 1 July 2007 to 30 June 2008 ^{1,2}	\$2,002,538	29,888,633
Additional benefit 1 July 2008 to 30 June 2009 ^{1,2}	\$6,305,411	191,073,050
Total volume of recycled oil (excludes categories 8 & 9 and the additional benefit)		268,992,514
Total benefit payments	\$40,513,000	

Notes: ¹ Benefits paid under categories 8 and 9, and the additional benefit, do not contribute to the overall volume of recycled oil.

² The additional benefit is separate from categories 1 to 9. All category 5 and 6 claimants are eligible to claim the additional benefit.

Operating expenses

The department's 2008–09 operating costs for the Product Stewardship for Oil Program, including staff salaries and allowances, consultancies, advertising and other related expenses, were \$469,000.

The Australian Taxation Office's operating costs for the program were \$123,500. Services provided by the Australian Taxation Office include processing registrations and claims for benefits, compliance monitoring and client liaison.

Monitoring and evaluation

The independent legislative review of the *Product Stewardship (Oil) Act 2000*, which commenced mid-2008, was finalised in March 2009 and tabled in Parliament on 14 May 2009. The report has been made public and is available at www.oilrecycling.gov.au. The Australian Government will respond to the recommendations made by the independent legislative review in due course.