

20 March 2018

Executive summary

- Product Stewardship for Oil Program (PSO) aims to encourage the environmentally sustainable management and re-refining of used oil and its re-use by providing oil recyclers with a financial incentive paid by the Australian Government and through a levy collected from oil producers and importers.
- The oil levy is imposed on oil producers and importers by the Australian Government.
- Automotive businesses do not directly pay any PSO based oil levy to cover costs of incentives to oil recyclers.
- The automotive industry is indirectly impacted by the PSO scheme as the purchase price of oil is increased due to the levy imposed on oil producers and importers by the Australian Government.
- Automotive businesses have the ability to pass increased costs onto their customers.
- The oil levy is independent of other state and territory and local government environmental requirements including requirements to pay for storage and disposal of oil products.
- Commercial companies may charge your business to collect and dispose of your oil products regardless of them receiving or not receiving a PSO scheme incentive for recycling oil based products.
- It is your business decision on who will collect your oil for disposal or recycling based on your market conditions.

What is the Product Stewardship for Oil Program (PSO)?

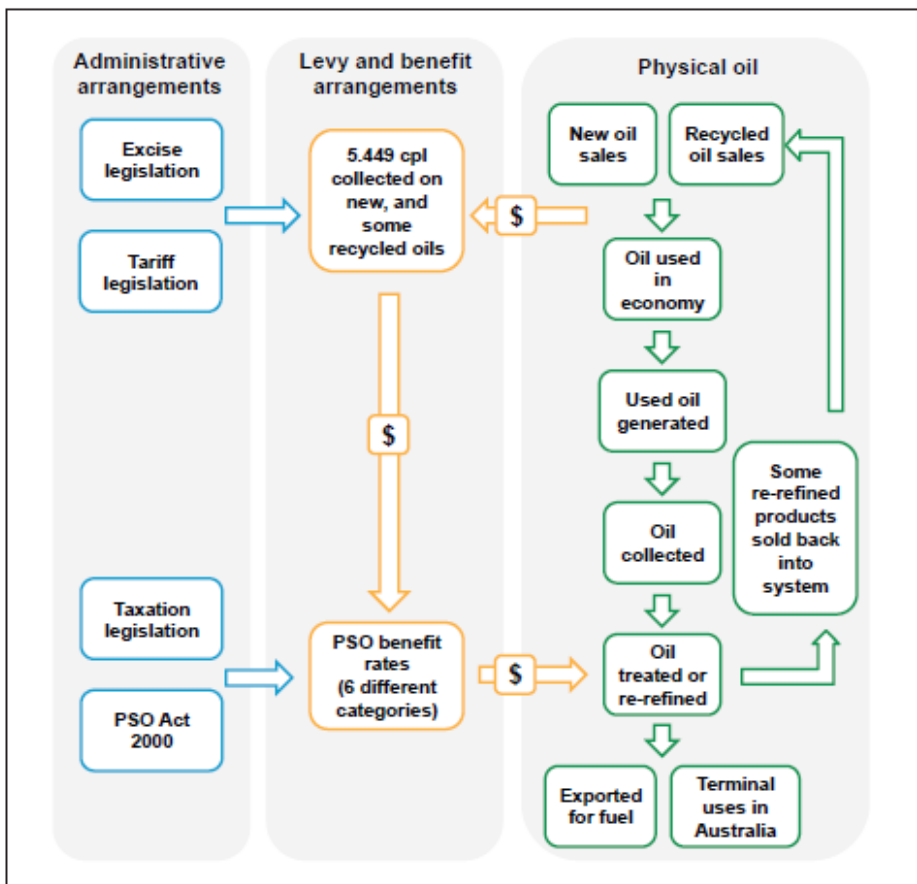
- The Oil Levy is formally referred to as the Product Stewardship for Oil Program (PSO).
- The PSO was introduced by the Australian Government in 2001 (through the *Product Stewardship (Oil) Act 2000*) and uses a levy-benefit arrangement to increase recycling of petroleum-based and synthetic used oil in Australia.

- The Act has three objectives:
 1. Develop a product stewardship arrangement for waste oils.
 2. Ensure environmentally sustainable management, re-refining and re-use of waste oil.
 3. Support economic recycling options for waste oil.
- The Department of Environment has policy responsibility for the Scheme, while the Australian Taxation Office (ATO) is responsible for implementation and administration in accordance with the relevant legislation and regulations.
- The oil levy is independent to other state and territory and local government environmental requirements including requirements to pay for storage and disposal of oil products. Consequently, your business may be subject to other environmental charges imposed by your state, territory or local governments.

How does the PSO work?

- The PSO is a levy-benefit system where approved oil recyclers receive volume-based financial incentives to support particular recycling activities, and to maintain a diverse range of recycling options for used oil.
- The levy (payed for by oil producers and importers) offsets the costs of benefits (i.e. financial assistance) paid to oil recyclers as an incentive to recycle used oil. This ensures that some of the costs of used oil recycling are borne by the markets that gain the benefit from the production and use of that oil, rather than from public monies or other markets.
- A mandatory 8.5 cents per litre levy is applied to sales of all targeted oils, whether new or recycled, that generates revenue to fund benefit payments, and benefit payments are made to oil recyclers as volume-based incentives.
- No oil is levied twice, no 'eligible' lubricant escapes the levy, imported and domestically-produced oils are treated equitably (to the extent possible), and exported oil is not levied. Levied oil, which is incorporated into products that are subsequently exported, may be subject to other specific arrangements.

- The following diagram¹ provides an operational overview of how the PSO operates:



Who is eligible to receive PSO incentives?

- Recycling operations claiming benefits must be both:
 - recycling used oil; and
 - either directly using the recycled product, or selling that recycled product for end use.

¹ Australian Government Department of Environment (2013), Third Independent Review of the Product Stewardship (Oil) Act. Accessed 20 March 2018:
<http://www.environment.gov.au/system/files/resources/a44a765a-e044-4eac-adfd-e10c670143a1/files/pso-review-2013.pdf> (p. 11)

- To be considered for benefits, the recycler must undertake the final processing (recycling) stage prior to end use and the product must be used by that recycler or sold for end use (i.e. not just processed and stockpiled).
- To also be eligible, businesses are required to have: have an ABN or provide evidence of having applied for an ABN; have an excise manufacturing licence under the Excise Act 1901; and comply with relevant Australian and State/Territory legislation and requirements (particularly environmental criteria).

Who pays for the oil levy

- The product stewardship levy is payable by **producers and importers** of petroleum-based oils and their synthetic equivalents and is collected by Government for distribution to all eligible oil recyclers.
- Automotive businesses and users of oil products are not required by the Commonwealth Government to contribute payment to the oil levy.
- Oil producers and importers incorporate the additional cost in the sale price of the oil.
- Therefore, automotive industry participants are indirectly paying for this levy through higher oil costs. Automotive businesses have the ability to pass this business cost on to their customers.

How is the benefit rate for recyclers determined?

- Oil recyclers receive financial benefit based on the volume of oil recycled and the type of recycling activities. The benefits are shown in the table² below:

² Department of the Environment and Energy (2018): Benefit Rates. Accessed 20 March 2018 on: <http://www.environment.gov.au/protection/used-oil-recycling/product-stewardship-oil-program/benefits>

Category	Benefit (cents/litre)
1. re-refined base oil (for use as a lubricant or a hydraulic or transformer oil) that meets the specified criteria *	50 #
2. other re-refined base-oils (eg chain bar oil, oils incorporated into manufactured products)	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: 1. that are filtered, de-watered and de-mineralised; and 2. that, if combined with diesel fuels, would produce a combined fuel that complies with the Determination mentioned in item 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 lubricants, including hydraulic and transformer oils (reprocessed or filtered, but not re-refined)	0
8. Gazetted oil consumed in Australia for a gazetted use	8.5 †

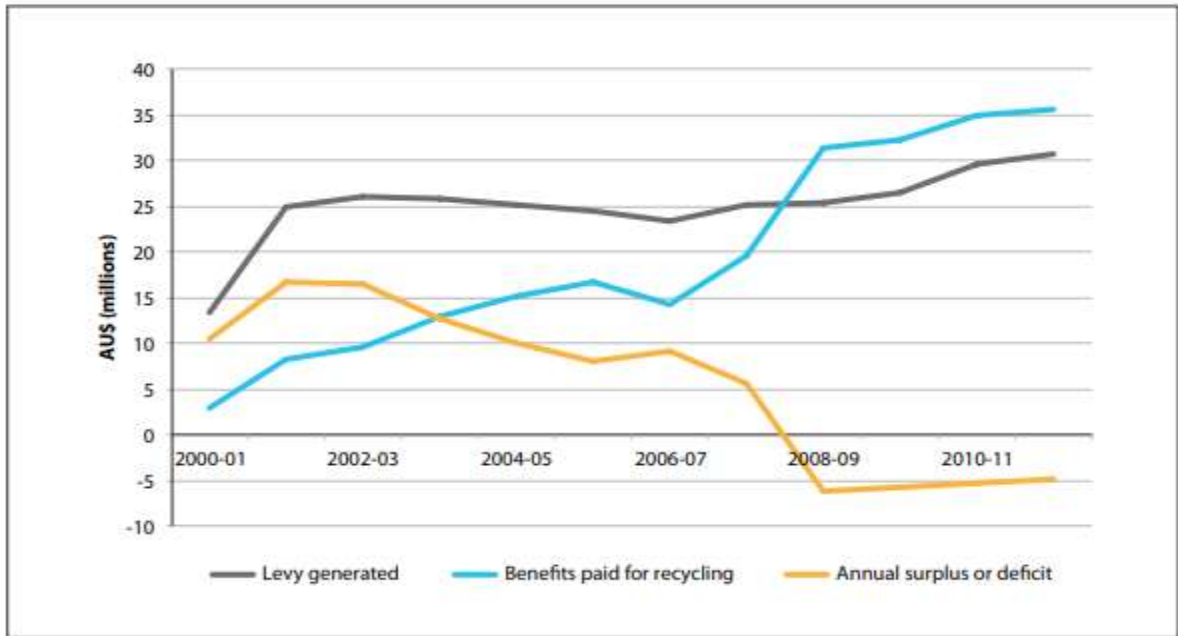
* The Regulations specify a health, safety and environment standard for re-refined lubricants that is comparable with the current requirements for similar 'virgin' products. The purpose of this standard is to protect users of re-refined oil products from exposure to carcinogenic components.

- The benefits paid for each recycled product have been determined by identifying the level of incentive required for each form of recycling or increase in volume. Other factors considered in determining the benefit rates include environmental and economic considerations and the likely available revenue collected from oil producers and importers and from consolidated revenue.

How much money is paid to recyclers

- The aim of the PSO is to be budget neutral which means that levy collected from oil producers and importers plus revenue taken from consolidated revenue covers the cost of incentives to oil recyclers.
- The last review of the PSO in 2013 identified that the program was costing Government as the levy collected did not cover the cost of incentives provided to recyclers. This is exemplified in the following graph from the report³.

³ Australian Government Department of Environment (2013), Third Independent Review of the Product Stewardship (Oil) Act. Accessed 20 March 2018:
<http://www.environment.gov.au/system/files/resources/a44a765a-e044-4eac-adfd-e10c670143a1/files/pso-review-2013.pdf> (p. 56)



Source: Aither, based on the Department of the Environment (2013).
Note: 2000-01 only includes six months data.

- Furthermore, since 2013-14 to 2016-17 the incentives paid to oil recyclers is increasing as evident in the following table⁴:

Financial year	Product Stewardship for Oil program		
	Claims paid	Litres paid	Total amount
2001-02	418	194,760,313	8,175,414
2002-03	431	190,068,445	9,403,822
2003-04	522	245,938,373	13,333,586
2004-05	539	252,906,259	15,983,137
2005-06	546	265,474,995	17,286,543
2006-07	709	414,489,098	31,741,705
2007-08	702	524,082,452	35,791,492
2008-09	772	513,570,911	39,714,861
2009-10	568	315,062,772	33,493,002
2010-11	520	318,334,513	35,947,830
2011-12	510	311,281,110	35,741,391
2012-13	410	283,596,071	33,565,169
2013-14	364	290,343,898	40,116,326
2014-15	484	272,766,956	48,396,359
2015-16	530	268,963,228	60,802,161

⁴ Australian Taxation office (2016) Taxation Statistics 2014-2015, Table 5 Excise: product stewardship for Oil program and cleaner fuel grants scheme-benefits paid, 2001-02 to 2015-16 financial years. Accessed 20 March 2018 on <https://data.gov.au/dataset/5c99cfed-254d-40a6-af1c-47412b7de6fe/resource/3b4ec13d-dce3-48e1-a588-ee67af78735d/download/taxstats2015excise05cfgspsobyyear.xlsx>

- As a result of this deficit the levy increased from 5.449 cents per litre (or kilogram for greases) to 8.5 cents per litre on 1 July 2014.

Further information on the PSO scheme please access the following link:

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<http://www.environment.gov.au/protection/used-oil-recycling/product-stewardship-oil-program>