

SUBMISSION BY BP AUSTRALIA TO
THE IMPACT OF PETROL PRICING SELECT COMMITTEE
OF THE QUEENSLAND LEGISLATIVE ASSEMBLY

The following is a short submission related to the Terms of Reference.

1. The extent to which current petrol price increases the competitiveness of alternative fuel sources such as E-10

BP believes biofuels have a real potential role to play in the fuel supply slate. There are five criteria BP is using in our examination of biofuels. These are:-

- Stability of supply
- Environmental impact
- Consumer acceptance
- Economic viability
- Vehicle operability acceptability.

Economic viability is obviously fundamental. High oil prices do assist this, but the dilution effect (there is only 10% ethanol in petrol) reduces this. The impact therefore is not dramatic.

E10 is currently being marketed from about 30 sites in Brisbane and rural Queensland. We have sold over 15 million litres and not had a single customer problem. We are currently marketing at the rate of 10 million litres per annum.

BP wishes to acknowledge the support of the Queensland Government in our efforts to develop and market ethanol. In particular this support is through:-

- Government purchases of e10 (BP has the contract with the Queensland Government for fuel supply, and we have worked with the government on the take up of e10 in their fleet
- Financial support in marketing promotion of e10 in Mackay and in the construction of an e10 blend plant at our terminal in Mackay. The blend plant will be completed in February 2006.

BP is hoping to further develop its biofuels market.

2. Economic and financial consequences of current fuel prices with a particular emphasis on regional Queensland and outer metropolitan areas;

We point out:-

- Fuel prices are inextricably linked to world fuel prices, especially through crude prices and the Singapore Product Price. There is nothing Australia can do about international prices. Especially as we now import a significant amount of our fuel

- Notwithstanding this, Australian prices are amongst the lowest in the OECD
- Except for very few locations, BP does not market directly at service stations in provincial centres or rural areas. The BP branded sites are operated by our distributor or by private dealers. The fuel is sold by BP at the relevant terminals (Brisbane, Mackay, Townsville, Cairns, Gladstone) at the Terminal Gate Price (TGP). The TGP is shown on our website.
- International prices directly influence the TGP

Aside from these general points, there is little we can add on this.

3. Practical ways that consumers can reduce their petrol bills, including through considering whether existing information on the fuel efficiency of different makes of motor vehicles is sufficient

There are various well known ways of doing this. For example:-

- Using fuel efficient cars – diesel cars in particular are now very fuel efficient
- Using smaller cars
- Public transport
- Driving in a fuel efficient manner.

4. The extent to which recent fuel increases could be moderated through enhanced domestic competition, including how the Australian Competition and Consumer Commission powers could be strengthened to deliver enhanced competition

Australian prices are constantly amongst the lowest in the OECD. This is whether measured on a pre or post tax basis. This reflects both competition and efficiency in the industry. Therefore there is little evidence that anything further can or need be done.

BP is a strong believer in competition. The characteristics for effective competition (ie freedom of entry and exit into the market, open to imports, a number of competitors, an environment of new marketing ideas etc) exists in the market in Australia. The ACCC has a very important role to play also. We believe they have sufficient powers to carry out their very important function and have no suggestions in this regard.

5. Whether Queensland receives its fair share of road funding, and
6. The capacity and benefits of the Federal Government reducing fuel excise to ameliorate the impact of high fuel prices on families and business.

We are not in a position to comment on these.

7. Whether Queensland motorists are receiving the full benefit of the 8.354 cents per litre subsidy and examine the efficiency of administration for the bulk end users scheme.'

This is passed to the service station. In the case of the service stations that we operate, the benefit of this is passed to the motorist and is reflected in board prices. As it is a highly competitive market, we believe that others are doing the same.