



Research Director
Utilities, Science and Innovation Committee
Parliament House
George Street
BRISBANE QLD 4000
Per email: usic@parliament.qld.gov.au

October 12, 2015

Submission in relation to the Committee's inquiry into the Liquid Fuel Supply (Ethanol and Other Biofuels Mandate) Amendment Bill 2015

Viva Energy Australia Pty Ltd ('Viva Energy') welcomes the opportunity to provide input to the Utilities, Science and Innovation Committee's inquiry into the Liquid Fuel Supply (Ethanol and Other Biofuels Mandate) Amendment Bill 2015.

About Viva Energy

Viva Energy was formed following Vitol's acquisition of the Shell Australia downstream business. The business consists of the Geelong Refinery (Victoria), an 870-site retail network and a bulk fuels, bitumen, marine, chemicals and lubricants business supported by more than 20 terminals across the country. The Queensland business consists of a major terminal in Pinkenba, five seaboard terminals (Gladstone, Mackay, Townsville, Cairns and Weipa) and around 160 Shell branded service stations.

While Viva Energy is the exclusive licensee of the Shell brand in Australia, we supply fuel on a wholesale arrangement to Coles Express or independently run Dealer Owned sites who operate the service stations and set the retail fuel price.

Position on Biofuels

As a member of the Australian Institute of Petroleum (AIP), Viva Energy endorses the positions expressed in their comprehensive submission to the Committee on behalf of core member companies.

From an individual company perspective Viva Energy wishes to emphasise that we see biofuels as part of the broader fuel mix and have worked hard during the past decade to embed biofuels in the market as a sustainable fuel choice for customers. To date, we have invested almost \$20M in biofuels infrastructure across NSW, VIC and QLD.

In general, we do not support fuel mandates and believe that consumers should be given the choice to buy the fuel that is right for their vehicle and their budget. We believe that if biofuels are priced competitively and supported by consumers then they will find their place in the market and will do so in a way that is efficient and sustainable, rather than relying on regulations.

Viva Energy believes for biofuels to be a success that they need to be:

- Sustainable;
- Provide real CO2 benefit;
- Be supported by a robust bio-component supply chain; and,

- Be market driven and competitively priced.

Ethanol

Viva Energy strongly supports retail site compliance as proposed in the legislation. Liability should fall on the party with the ability to control the fuel offering and retail price at that site as they have the greatest ability to influence the customer's decision as to which fuel to purchase. This may be accomplished through the relative positioning of fuels, decisions around relative pricing and visibility of marketing material.

We note, however, that the Bill allows for compliance under the ethanol mandate to also be applied to fuel wholesalers. Viva Energy considers that this is unnecessary, and will not significantly improve the amount of ethanol sold in Queensland. Fuel wholesalers respond to their customers' demand for fuel. If their customers, which will be the fuel retailers, require the wholesaler to supply them with ethanol blend fuel in order to meet the mandate, then that ought to be a sufficient economic signal for the wholesalers to make that fuel available. Applying the mandate to wholesalers as well will not strengthen that signal, but will add complexity to reporting and raises the potential for double-counting or overlooked volume.

Viva Energy is the proud supplier of Low Aromatic Fuel ('LAF') to designated petrol sniffing prevention areas in North Queensland, including the Gulf of Carpentaria and Cape York regions. The information about the potential issues involved in combining E10 and LAF in the AIP submission has been provided by Viva Energy's Product Quality Manager. Given these issues, and the potential for an E10/ LAF blend to undermine the successful adoption of low aromatic fuel in affected areas, we strongly endorse the proposal put forward in the AIP submission that the definition of Regular Unleaded Petrol in the Bill be amended to specifically exclude volumes of Low Aromatic Fuel, whether this fuel is being sold as a RULP replacement by the retailer on a voluntary basis or as a result of the Federal Government having used their powers under the Low Aromatic Fuel Bill 2012 to prohibit the supply of Regular Unleaded in a designated area.

Viva Energy would be pleased to work with the Queensland Government in determining workable and appropriate sustainability criteria to be applied under the mandate, although we agree that compliance with the sustainability criteria should be the responsibility of the biofuels producers. In our experience, different industry participants have different definitions of 'sustainable' and unless the criteria are clearly understood and are agreed to be workable by all parties, the criteria have the potential to be either ineffectual or too stringent. The global Shell Group of Companies has deep experience in biofuels sustainability, and Viva Energy would be able to draw on its history with Shell to help inform this work with the Government.

Biodiesel

Viva Energy agrees with the issues outlined in the AIP submission in relation to the implementation of a biodiesel mandate, and also suggests that it is premature to consider the implementation of a mandate at this time.

Viva Energy is a foundation customer of Australia's largest biodiesel producer, ARFuels, and supplies biodiesel blends in New South Wales and Victoria. However, Viva Energy does not currently have any biodiesel blending facilities in Queensland, nor do we have contracted biodiesel supply at this point for supply into Queensland. Our experience in the southern states suggests that construction of biodiesel blending system, including tankage, associated pipework, additional pumps and an inline injection blending system at the road loading gantry would take at least 12-18 months, and cost millions of dollars. As a comparison, Viva Energy's biodiesel blending facility in Newport, Victoria cost approximately \$4.5M. The actual design, and cost, of the facility will to some degree

depend on the biodiesel feedstock used, method of delivery of biodiesel, likely customers and expected volumes. At this stage, very few of these details are known, so even preliminary design work, including establishing the business case, cannot commence.

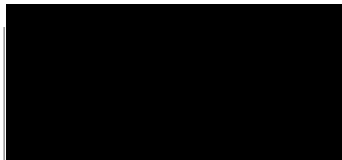
To comply with the mandate, Viva Energy estimates that it would require at least 6.5 million litres of B100 per annum. Whether the sole biodiesel producer in Queensland will be able to reliably and rateably supply this amount of B100 to Viva Energy, and whether the product quality of that B100 would meet Viva Energy's stringent requirements, remains to be seen. To source B100 from other domestic producers would seem at this stage to be cost prohibitive, given the trucking distances involved.

Given these and other factors identified by the AIP, Viva Energy strongly suggests that a detailed assessment of the biodiesel industry's capability to supply is undertaken before the mandate percentage, or timing of commencement of the biodiesel mandate, is finally determined. Viva Energy would be happy to provide the Government with more information about the infrastructure required at terminals to provide quality assurance as to the quality of the blended biofuels. We would be reluctant to see a prematurely introduced mandate actually hinder confidence in the biofuels industry as a whole.

We endorse the AIP's suggestion that a rigorous Regulatory Impact Statement process be undertaken in relation to the Bill as a whole, as many of the issues we and others have raised would be able to be more fully explored and understood.

We would be pleased to further discuss the matters raised if required. If you would like to arrange a meeting please contact me on (03) 8823 4158 or our Communications Manager, Edwina Pribyl, on (03) 8823 4148.

Yours sincerely,



Catherine Ellis
Biofuels and Low Aromatic Fuel Manager