MANILDRA GROUP

Commitment to Excellence

6th November 2015

The Research Director
Utilities, Science and Innovation Committee
Parliament House
George Street
Brisbane, Queensland, 4000

Dear Sir/Madam,

RE: Liquid Fuel Supply (Ethanol and Other Biofuels Mandate) Amendment Bill 2015

The Manildra Group is pleased to contribute to the discussion on the draft legislation for the *Liquid Fuel Supply (Ethanol and Other Biofuels) Mandate Amendment Bill 2015.*

We acknowledge that this submission is late, our apologies.

We welcome the Queensland Government's discussion and initiative to introduce a fuel ethanol mandate, however we do have concerns that the Bill in its current form will not meet the objectives particularly in relation to providing assurance for producers and contributing to regional growth and jobs creation.

Manildra Group

The Manildra Group is an Australian-owned family company, employing over 1300 people, mainly in regional and rural communities. The Manildra Group has been producing ethanol since 1992 from waste starch, as part of an integrated manufacturing process. Starch is a component of wheat flour. Wheat is sourced from thousands of Australian farmers. The flour processed at the Nowra facility comes from Manildra-owned flour mills located in Manildra, Gunnedah, Narrandera and a dedicated flour mill at Nowra.

The Manildra Group produces a range of grades of ethanol including:

- higher grade beverage ethanol;
- pharmaceutical and hospital grade ethanol;
- industrial ethanol; and
- fuel grade ethanol.

The ethanol percentage

The QLD Government's 2 per cent volumetric fuel ethanol mandate is inadequate to foster a nascent industry in Queensland[1]. The 2 per cent mandate is still below existing production capacity and is well below the level that had been achieved in Queensland leading up to the previously proposed 2010 fuel ethanol mandate.

Currently, without a mandate, the total volume of ethanol sold in Queensland is approximately 1.2 per cent. A 2 per cent mandate is not much higher than what already exists in Queensland. A 2 per cent will not provide additional jobs, drive capital investment or create, let alone sustain, an industry.

We propose that the quantum of the fuel ethanol mandate be increased with incremental targets over five years. On 1 July 2016, the ethanol mandate should start at 4%, which will only take the level to the current Queensland production. The policy should also outline a time frame in the Act with the increasing ethanol percentages to encourage new investment.

By raising the starting percentage to 4% it will ensure;

- impetus and assurance to the industry;
- availability of supply demands;
- compliance by liable parties (Australian wholesalers and fuel retailers); and
- that existing industry participants and new entrants have sufficient security and financing.

Unless the Queensland Government increases the incremental targets, further development of the biofuel industry (new plants, research, development, jobs) will remain at a standstill.

Productivity Commission

There is also a proposed two-year review of the fuel ethanol mandate, which circumvents the Government's intent to drive regional investment, capital expenditure, jobs and the development of a biofuel industry.

This productivity commission review signals to investors and industry a lack of commitment by the Government to the fuel ethanol mandate.

Regulation

The draft legislation refers heavily to regulation that is yet to be drafted, in the absence of this regulation is it difficult to fully understand the issues that may be presented in the regulation. To generate assurance and investment in new capacity and achieve the objectives of the Bill, the rate of ethanol level increasing over time should be outlined in the Act, not via regulation.

[1] Australian Petroleum Statistics, 3B. Sales of petroleum products by state marketing area (April 2015)

Sustainability
The reference to a sustainability clause being regulated is concerning, as it is difficult to fully understand the issues that may be presented in this regulation. A raft of sustainability standards, unrelated to current practice would provide uncertainty to current producers and future entrants.

Liable Parties
The Manildra Group welcomes the definition of liable parties which includes fuel retailers which sell more than 250 000 litres of a combined volume of petrol fuel in a calendar quarter at any one of the service station sites. We believe that this strikes a balance and captures the intent of the policy framework, to give petrol consumers choice of ethanol-enhanced fuels.

By defining liable parties by the number of sites, it fails to capture franchisees and independents, which limits its volume coverage. This results in retailers with significant aggregate volume, but few sites, continuing to be excluded from compliance with the mandate.

Exemptions
We acknowledge that there is an exemption framework in the draft legislation. A lax exemptions framework is the single most important flaw with the NSW fuel ethanol mandate and the single most important reason why the mandate has not succeeded. In Queensland, we submit that any exemptions granted should be no longer than one-quarter at a time and subject to string time compliance. It is critical that the exemption framework is monitored closely, to ensure that it does not become the source of issues that may jeopardise the entire fuel ethanol mandate.

Cost of conversion
There has been allegations to comply with the fuel ethanol mandate further investment would be necessary. It has been alleged that the cost of making changes and the necessary equipment ranges from $15,000-$60,000 per site. The cost of changing tanks would be in the realm of a few thousand dollars. It has also been alleged that capital investment in new ethanol storage and dispensing infrastructure is in excess of $100,000-$900,000. The notion of the ethanol product having to be blended on site is false as E10 is delivered to fuel retailers as a blend. Ethanol is blended at the terminal, with the other fuels, not at the fuel retailer site.

Consumer awareness campaign
Opportunities exist to better educate Australian consumers on the key advantages of ethanol. The Queensland Government needs to implement a government-led public awareness campaign, to both dispel myths and negative perceptions on the use of fuel ethanol in vehicles and also, importantly, promote its many benefits.

It is imperative that a consumer awareness campaign is coordinated by the Government rather than stakeholders. We believe that a campaign needs to highlight the following benefits of ethanol-enhanced fuel, including:

1. Compatibility: The compatibility of an E10 fuel ethanol blend with post-1986 vehicles;
2. Farmers: Support and diversify our largest agricultural commodities whilst increasing on-farm investment;
3. Environment and Health: Reducing emission particulates and having cleaner healthy air in the major cities;
4. Fuel Security: Reduce our dependence on fuel supplies in Middle Eastern countries of potential instability;
5. Price: Reduce fuel prices at the bowser;
6. Economy: Creating jobs and investment in regional Queensland;
7. Automotive Industry: Increase the quality of our base fuel stock;
8. Queensland: Supporting Australian farmers and buying of Australian products; and
9. Research and Development: The development of the biofuel industry will facilitate ongoing research and development into second-generation technologies.

We would welcome the opportunity to participate in a communications strategy with the Queensland Government and other stakeholders.

Opportunities also better exist to educate mechanics and automotive sellers on the benefits of ethanol enhanced fuels and dispel the myths and negative perception of alternative fuels. The Manildra Group and the biofuels industry has identified a lack of education, training and awareness for mechanics in Australia through numerous discussions with car manufacturers, mechanic industry bodies, consumers, fuel retailers and vehicle dealerships.

Certainty and political stability

Long-term certainty is critical for the development and continual investment in bio-manufacturing. Introducing and properly administering a substantial fuel ethanol mandate will allow new and existing industry participants to secure financing for projects and expansion opportunities. A legislative framework, which is reliant on regulation is open to continuous changes without parliamentary review and does not encourage a stable environment for investment.

Internationally, biofuel industries have survived and thrived on Government-enforced mandates and targets. With a higher ethanol percentage target, ethanol can be the economic powerhouse of Queensland. It is critical that the Queensland Government establish the necessary framework and regulatory environment to encourage investment in the industry.

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If you have any further questions or require any further information, do not hesitate to contact Corporate Affairs Manager Kirsty Beavon on [redacted]

[redacted]

Dick Honan
Chairman
Manildra Group