



TRANSPORT AND RESOURCES COMMITTEE

Members present:

Mr SR King MP—Chair
Mr LL Millar MP
Mr BW Head MP
Mr JR Martin MP
Mr LA Walker MP
Mr TJ Watts MP

Staff present:

Dr J Rutherford—Committee Secretary
Mr Z Dadic—Assistant Committee Secretary

PUBLIC HEARING—INQUIRY INTO THE LIQUID FUEL SUPPLY (MINIMUM BIOBASED PETROL CONTENT) AMENDMENT BILL 2022

TRANSCRIPT OF PROCEEDINGS

Monday, 13 March 2023

Brisbane

MONDAY, 13 MARCH 2023

The committee met at 9.34 am.

CHAIR: Good morning. I declare open this public briefing for the committee's inquiry into the. My name is Shane King. I am the member for Kurwongbah and chair of the committee. I would like to respectfully acknowledge the traditional custodians of the land on which we meet today and pay our respects to elders past, present and emerging. With me here today are Lachlan Millar, the member for Gregory and our deputy chair; Bryson Head, the member for Callide; James Martin, the member for Stretton; Les Walker, the member for Mundingburra; and Trevor Watts, the member for Toowoomba North, who may have to leave us at some stage for other duties.

On 13 October 2022, Mr Nick Dametto, the member for Hinchinbrook, introduced into the Queensland parliament the Liquid Fuel Supply (Minimum Biobased Petrol Content) Amendment Bill 2022. The bill was referred to the Transport and Resources Committee for consideration and report. The committee's proceedings are proceedings of the Queensland parliament and are subject to the standing rules and orders of the parliament. As parliamentary proceedings, under the standing orders any person may be excluded from the hearing at the discretion of the chair or by order of the committee. Only the committee and invited witnesses may participate in the proceedings. Witnesses are not required to give evidence under oath or affirmation, but I remind the witness that intentionally misleading the committee is a serious offence. I also remind members of the public that they may be excluded from the briefing at the discretion of the committee.

These proceedings are being recorded and broadcast live on the parliament's website. Media may be present and are subject to the committee's media rules and the chair's direction at all times. You may be filmed or photographed during the proceedings and images may also appear on the parliament's website or social media pages. I ask everyone present to please turn mobile phones off or to silent mode. I also ask for any responses to questions taken on notice today to be provided to the committee by 4 pm on Monday, 20 March 2023.

DAMETTO, Mr Nick, Member for Hinchinbrook, Parliament of Queensland

CHAIR: I welcome Mr Nick Dametto, the member for Hinchinbrook. I acknowledge Robbie Katter, the member for Traeger, who is in the chamber. Thanks for your attendance here today. Would you like to make a short opening statement, after which I am sure we will have plenty of questions for you?

Mr Dametto: Thank you very much, Chair, Deputy Chair and committee members for allowing us to respond to a number of the submissions to the bill. I will not only talk to those that are supportive of the legislation proposed but also debug or answer some of the questions posed in those responding in the negative to the proposed legislation that we have before the committee. I want to reiterate my thanks to the committee for going through this process with the intention of letting everyone have their voice heard and putting a fair bit of time and context into really learning about the legislation that we are proposing and the effects it would have on not only the biofuels industry but also consumers who use ethanol or bio-based fuels in Queensland.

This bill was put forward with the intent of creating some guarantees around consumer confidence in the market in Queensland when it comes to buying E10 fuels. The fact is that a lot of retailers may or may not be using a hole within the current legislation to protect their profits over the environment when it comes to what they actually sell as E10 fuel in Queensland. That has been a concern of mine. I believe what is happening right now in the market is not in line with the state government's policy on the delivering of biofuels in Queensland. We are just trying to find holes in the current legislation and are trying to help tidy that up so that consumers can be confident in what they are buying.

I refer to increasing some of the fines in regards to retailer noncompliance with the current mandate. Since 2015 we have not reached the top of the mandate. Other states, namely New South Wales, that also have a biofuels mandate have not met theirs either. They are at six per cent as well. I think we can all be doing better, not only in the policing space but also in making sure that we hold fuel retailers to account on this matter.

The reality is that a couple of submitters disagree with an increase in fines, especially in the second fines that are available for noncompliance. To debug some of that—and we will get to that in a second through some of the questions—the state has not handed out any fines since 2015. The chances right now of one of those small fuel retailers being shut down through a second fine, given what has happened up to now, are very low. Through fines we need to send a strong message to retailers that are not doing the right thing. I want to make it very clear that there is plenty of ability for retailers to seek exemptions and they have been doing so up until now and doing it quite successfully. That is why we create exemptions in the regulations and the legislation, so that those that have a valid reason within the constraints have the ability to apply for that.

In saying that, I am open to every question that the committee may have in regards to any of the submitters or any further questions that the committee may have on our intent with the legislation and also the technical parts of the bill.

Mr MILLAR: As I have said, I understand the intent of this bill. Submission 6 from the Australasian Convenience and Petroleum Marketers Association and submission 8 from the Motor Trades Association Queensland do not support the bill's increased penalties for noncompliance. They say that the proposed increase of 4,000 penalty points is unreasonable and grossly disproportionate to the nature of the offence and would ultimately put a small, single-site operator or a multisite family business operator out of business for good. Of course, I have spoken to you about this before given the electorate that I cover. It is the same with your electorate and the same with Robbie's. We have small operators that are busy and would fear 4,000 penalty points.

Mr Dametto: Yes.

Mr MILLAR: Could there be an issue there that they might say, 'We won't sell E10'?

Mr Dametto: The best way to answer that question is by asking: how many times have they been fined under the current regime? We are talking about increasing the fines. They have not been fined yet. They have had the opportunity, and I would imagine some of your smaller retailers have already applied for an exemption and fall within that exemption framework. I think that is good, because if they are doing the right thing there is not an opportunity to be fined. Also, if there is a valid reason for an exemption then there is that framework for them to apply for it right now.

The increase in the penalty units is more around sending a very clear message to those that are noncompliant. Anyone that investigates this sort of stuff has a discretion whether or not they will administer a fine. If people are clearly and intentionally working outside the framework, I believe the department has the opportunity to administer fines to those people working grossly outside the criteria.

Mr MILLAR: I understand that, Nick, and I agree with where you are coming from. However, it does open the door for a 4,000 penalty point fine.

Mr Dametto: It does.

Mr MILLAR: That is my concern for the local BP in Longreach or the roadhouse in Winton that is owned by family operators. I agree that it is highly unlikely, but it does open the door.

Mr Dametto: It does.

CHAIR: I am sorry, before you answer: for clarity for the rest of the committee, the actual exemption figure—and correct my memory—is 250,000 litres a month?

Mr Dametto: I believe that is the exemption figure.

CHAIR: It went through the committee a couple of terms ago and I am trying to recall. If they sell less than either 500,000 or 250,000 litres a month they can get an exemption?

Mr Dametto: They can get an exemption.

Mr MILLAR: And, therefore, most of them would be exempt.

Mr Dametto: Correct.

Mr MILLAR: Because we sell diesel and not E10 out there.

Mr Dametto: And more of it than fuel, I would imagine. Once again, going back to the question that the member posed, through this legislation that is before it the committee has the opportunity to put recommendations forward. I would pose a question to the committee, and it is more of a rhetorical question: do we do nothing? Do we do nothing in a space where we are not meeting the current ethanol mandate in Queensland? We are trying right now to do more. What I am seeking from the committee is support to do more.

Mr MILLAR: That is why I said the intent of this bill is good.

CHAIR: Just for clarity, it is 500,000 litres.

Mr Dametto: Which is quite significant.

Mr HEAD: Submission 4 from the Western Downs Regional Council, one of my own councils, seeks consideration for the minimum blend mandate to be lifted to 15 per cent. Would you like to comment on that suggestion?

Mr Dametto: We would like to see 100 per cent of Queenslanders using ethanol-based fuels at some stage, or some sort of bio-based fuel. It is good for the environment, and any increase to the ethanol mandate would have our support. Are we ready for 15 per cent right now? I would say that we are not. We do not have the ability to produce enough ethanol right now in Queensland and Australia to meet that. We do not have enough ethanol production on the east coast of Queensland to reach 10 per cent right now; we would have to import ethanol fuels. That is why we have been conservative when it comes to what we have asked for in this bill, because we understand that you cannot flick a switch and ask everyone to change to biofuels tomorrow. In the same way, we do not have the opportunity to flick the switch to turn everyone to electric or hydrogen vehicles tomorrow. There will be a transition period. When it comes to transitioning even to electric vehicles, I think biofuels will be a large player in that space, helping us to convert—whether it is through range extenders on vehicles or hybrid vehicles. I think there will be a transition period, and I believe that biofuels and this legislation would play into supporting that.

Mr MARTIN: Some of the submissions raise a concern that the bill you have proposed may potentially contradict the federal fuel quality labelling laws. Are you aware of that and can you respond?

Mr Dametto: To be fair, I was not aware of the federal legislation that ACAPMA referred to in their submission but I would say that there are other states that have pretty much the exact same legislation that we are proposing right now.

Mr MARTIN: New South Wales.

Mr Dametto: That is correct. It is about making sure that those selling E10 are actually providing E10 as the product. I have had people come to me in the last two weeks who have driven fuel trucks for large petroleum companies. Just on price alone—not availability of ethanol—they have been told in the past to drop that unleaded fuel straight into that E10 browser tank, and that is concerning. They are the people we want to tighten this loophole on. Are we going to go down the road of asking our fuel retailers to advertise, instead of E10, 'may contain ethanol'? That is basically what we are allowing them to do right now.

CHAIR: Following on from the member for Callide's question about the potential for E15 that was recommended, my understanding is that vehicles are tuned up to E10 and that the motors and so on are designed for that. I think Holden brought out one that could be up to E85—

Mr Dametto: That is right.

CHAIR: It was multimodal. Are you saying that our vehicle fleet is not tuned to take E15?

Mr Dametto: Let me return to the question from the member for Callide. I thought we were talking about raising the mandate to 15 per cent.

CHAIR: No, that is why I clarified.

Mr Dametto: I understand the premise of the question now. You are very right: the motor you have in your vehicle and the tune determines how much ethanol you are able to use in that vehicle. E85 is available at the bowser right now. It is a fuel that is used by everyone from performance car people through to those who are seeking to use an 85 per cent blend—

CHAIR: V8 Supercars.

Mr Dametto: Absolutely. There was a great push from V8 Supercars at one stage to use E85 only. I used it in my drag car, to be fair. It is a brilliant fuel; it is a clean, complete combustion burn. You would have to retune nearly every vehicle to take an E15 blend. At the same time, if you were to go to E15 you would then have to guarantee—because the higher the ethanol content, the more precise the tune has to be. At the moment, a car tuned to E10—there could be between one per cent ethanol and 10 per cent ethanol in that fuel—can handle that. The further you go up the scale, the more precise your tune needs to be.

Mr HEAD: One of the reasons sales of ethanol have not increased or reached the four per cent sales target may be that consumers do not have confidence in the product. For example, submission No. 2 includes concerns about E10. Do you have any suggestions about how we might improve these negative perceptions and how consumer confidence issues can be overcome in relation to this product?

Mr Dametto: The state government did a brilliant thing a few years ago with their E10OK application. You were able to go online, download the application and punch in your registration, and it would tell you not only all the great things about ethanol but also whether or not your vehicle was able to use ethanol. For whatever reason, around that COVID period, I believe the funding dropped off for that app and it ceases to exist.

We would like to see more investment in that to make sure that those consumers who have the ability to use E10 feel confident using it. There are a lot of old wives tales around what ethanol can and cannot do for your vehicle—the damage it can do. In the past we were dealing with a lot of vehicles that were transitioning from leaded fuel to unleaded fuels. Those vehicles just are not built to handle ethanol in the fuel lines. You can have those lines replaced; you can have the gaskets changed within your carburettor which are ethanol resistant. Ethanol is a more corrosive fuel than petroleum, but if you are able to upgrade your fuel systems to handle that ethanol-based fuel then there is no reason even some of the older vehicles cannot use it. The issue is mainly around those vehicles that were produced from a certain time that are not able to handle ethanol fuels in the fuel system.

CHAIR: The Australian Sugar Milling Council supports an increase in penalties if there is a complementary tightening of the compliance rules. How would you envisage enforcement might occur?

Mr Dametto: Of course it would be up to the regulators to distinguish how they do that.

CHAIR: I know it is hypothetical, but you have put in a lot of work.

Mr Dametto: I appreciate you asking the question. I would like to see more people on the ground doing the tank dips—making sure people are doing the right thing. We have really important people who are working with the Department of Environment and Science, for example, making sure that cane farmers are doing the right things on their farms—having people inspecting and understanding their businesses. When it comes to tree clearing, there are people employed by government departments to make sure the right things are being done for our environment. Ethanol-based fuels are all about doing something better for our environment. It is all about making sure we have not only a cleaner burning fuel, so that we have less tailpipe emissions affecting our environment, but also a renewable fuel source. I would expect that if there was a better compliance regime it would be driven by the state government and I think supported by them as well.

CHAIR: We have talked to the Australian Sugar Milling Council about many products they are coming up with. They have some good ideas.

Mr HEAD: Do you have anything further to add in terms of what benefits a proposal such as this could bring rural and regional Queensland?

Mr Dametto: I thank the member who asked a question on notice about production in the last hearing that we had here in the red chamber. As you can see, from 2017 to 2020, we were able to provide the data of what we were selling ethanol fuel for. Surprisingly enough, in 2021 we were at 114 cents. That was around the same time the Dalby plant decided to shut down. I cannot say that there is a direct correlation, but it would stand to reason that the more production you have of ethanol fuel the cheaper it can be on the market for. It is a demand and supply issue.

When you are down to one big producer of ethanol now in New South Wales, at Manildra—there is also Sarina in Queensland, at a lower volume—it would stand to reason that the price of ethanol has gone up. Those people who are using E85—my friends who are in the drag racing—are pretty upset about that at the moment. They say, 'Nick, do what you can to bring the price of ethanol fuel down.' It has flow-on effects. We have sugar millers and growers in the sugar industry and the grain industry who are looking for ways to boost their viability. One way to boost viability is to produce a number of things from the one product. If you are growing grain and your only market is to sell into the feedlots, that really limits your ability to capitalise. If there is an ability, though, if ethanol production is increasing, to get a better price going that way then that opens up a new market.

It is the same with sugar cane. We have sugar mills right now saying that if there was the ability to get a better offtake for ethanol that would give them the confidence to invest. Companies like Wilmar, for example, in the Herbert district, have always said to me, online and offline, 'If there was a better offtake for ethanol, don't you think we would be investing heavily in it?' This are things like the NQBE project in Ingham, which had a second-generation ethanol plant planned. Unfortunately, without those offtakes or those prior purchasing agreements in place, it is very hard to get investment and confidence in the investment.

Mr MILLAR: We are talking about the increase of ethanol, but would there be any consideration of what impact that would have on molasses supplies?

Mr Dametto: Once again, you will find that it does not matter who is using or selling the molasses; they will go where the market is most profitable.

Mr MILLAR: I am thinking of cattle producers.

Mr Dametto: Yes, ethanol is produced sometimes from molasses, but in most cases with generation 2 ethanol production it comes from the biomass, so the leftover bagasse—those by-products that were not going to be used for anything else. I believe the Manildra Group down in Nowra in New South Wales has a very similar process. They are using the grain and husk that is left behind to put through their distilling process. For example in the flour industry, they are not reducing the amount of flour they are producing; they are just finding a better way of utilising their by-product.

Mr HEAD: How might bolstering Queensland's and Australia's biofuels market production and increasing what is available in the Australian market help us with regard to sovereign risk and global market factors?

Mr Dametto: I thank the member for the question and his interest in the biofuels industry. There are two things. When you produce more fuel here in Australia, it has to have a positive effect on fuel sovereignty in this country. From the information made available to me, I believe that we have about three weeks worth of liquid-based fuels in Australia, if you combine the diesel and the petroleum. That is also counting the fuel that is already stored in your vehicle's petrol tank right now. That is a scary notion. Even if we were to produce enough ethanol to push that out to four weeks, when you have only got three weeks then four weeks sounds pretty good. It is an extra amount of fuel that you have there.

When it comes to the price of fuel, one of the biggest complaints from anybody when it comes to making the choice between unleaded fuel and ethanol is the price point. There has actually been some really good research down in the space. If it was four to five cents cheaper, people would make that choice. That is the information I have read. They always price it between two and three cents cheaper. When people are doing the maths in their head, they are deciding not to make that choice. That is very clever marketing, I believe, from the fossil fuel retailers, who are more intent on selling petroleum-based fuels than ethanol blends.

I have never seen higher production not drive down the price of any commodity. When there is more of it in the market, it drives down the price of the commodity. If it is cheap enough for fuel retailers to sell at four to five cents less than the unleaded fuel, which is a dirtier fuel, I cannot see that having any negative effect on the market. It is a positive not only for the environment but also for those consumers who decide to make the switch.

CHAIR: There bring no further questions, I thank you for your participation. You will be provided with a copy of the transcript of the proceedings when it is available. A copy will also be published on the committee's webpage. I declare this public briefing closed.

Mr Dametto: Thank you very much, Chair. Thank you very much, committee and Deputy Chair.

The committee adjourned at 10.00 am.