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Committee Secretary

Transport and Resources Committee

Parliament House

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Inquiry into the Liquid Fuel Supply (Minimum Biobased Petrol Content) Amendment Bill 2022

Introduction

The Motor Trades Association of Queensland (MTA Queensland) welcomes the opportunity to provide input to the proposed amendments outlined in the Liquid Fuel Supply (Minimum Biobased Petrol Content) Amendment Bill 2022 (the Bill). Through its Service Station and Convenience Store Association members, MTA Queensland has had first-hand experience in implementing the three per cent biobased petrol mandate that was introduced on 1 January 2017 and increased to four per cent from 1 July 2018.

In its previous submissions on the biobased petrol mandate MTA Queensland expressed its concerns about the cost of compliance with the mandate and reservations about the prospects of legislating a change in consumer behavior. The data contained in the Explanatory Notes accompanying the Bill confirm these issues remain relevant to the success of the proposed amendments. The motoring public clearly has not embraced biobased petrol and any significant increase in its use must address this fundamental consumer reluctance. Increasing penalties will not address this issue.

The proposed amendments, or other actions to boost biobased petrol use, need to be seen against the backdrop of the fundamental shift underway in the automotive industry as battery electric and other alternative-fueled vehicles grow their share of the passenger and light commercial vehicle market. This shift is being driven by consumer preferences and strong government policy.

As the shift to electric vehicles gathers pace, the sale of petrol and biobased fuels will decline, bringing into question the medium-term viability of the biobased petrol mandate, with or without the proposed amendments.

Issues

Increased penalties for non-compliance

The proposed amendments outlined in the Bill included those that would see a significant increase in the fines for businesses that non-compliance with the four per cent biobased petrol mandate. The basis for the increased fines, outlined in the Bill's Explanatory Notes, seems to hinge on making the fines high enough to make enforcement financially viable for government.

It is not clear there is a willful lack of compliance by retailers. There is no cost-benefit analysis provided to support this proposed amendment, nor indeed any of the proposed amendments.

The Explanatory Notes indicate the increased fines would bring Queensland into line with biobased petrol enforcement arrangements in New South Wales where a mandate has been in place since 2007. However, as the Australasian Convenience and Petroleum Marketers Association outlined in a [paper](#) in response to a biofuels mandate review in that state, biobased petrol sales have declined since the introduction of the mandate, notwithstanding the enforcement regime in place. Like Queensland, New South Wales has not achieved its biobased petrol sales targets.

The financial value of penalties for legislative breaches must be proportionate to the inherent harm associated with the offence. Based on the proposed penalty regime, an initial breach of the requirements of the *Liquid Fuel Supply Act (1984)* by a fuel retail business to sell the mandated volume of sustainable biobased petrol amounts to a fine of \$57,500 – which is around half the average annual pre-tax profit (EBITDA) per service station site.

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The proposed increase for a second and subsequent offence would impose a fine of \$575,000 on a fuel retailer – that is, more than five times the average annual pre-tax profit (EBITDA) of the business. Such a penalty would ultimately put a small single site operator or multi-site family business operator out of business. Not only would this action destroy the livelihood of the operator and the jobs of their employees, it may well result in regional/rural communities losing a fuel retail business with consequent impact on fuel accessibility and average fuel prices.

It is also difficult to understand how strengthening enforcement will achieve a material increase in biobased petrol sales. As noted above, consumers have not embraced this fuel and the motor vehicle market is ‘moving’ to electric vehicles (EVs) and away from petrol fueled vehicles. Seeking to penalize petrol retail businesses for the ‘failings’ of customers is not going to increase biobased petrol sales.

The proposed penalty amendments are not supported by MTA Queensland.

It is worth noting that the mandate introduced in 2017 was accompanied by a significant Government marketing campaign (E10 OK) to explain the benefits of biobased petrol (E10) and dispel some of the myths about its impact on engines and their performance. As the Explanatory Notes indicates, this campaign had a material impact on E10 demand. It also noted the importance of ongoing education and awareness of biobased fuels.

Rather than introducing an ineffective and costly enforcement regime, there may be more value in a renewed Queensland Government education campaign that targets consumers, particularly in a marketplace that is currently ‘swamped’ with EV messaging.

Noting the role that the motor industry has in influencing consumers, also highlighted in the Explanatory Notes, resources targeting relevant sectors of the motor trades may also assist in lifting awareness and sales of biobased petrol.

Minimum Ethanol Requirement

This amendment seeks to ensure that biobased petrol has a minimum of nine per cent ethanol. There are currently no minimum regulatory requirements. The aim is to improve consumer confidence in biobased petrol, ensure they receive no less than a nine per cent ethanol blend and increase biobased petrol sales.

The proposed amendment that will address this shortcoming in minimum ethanol content is not opposed by the MTA Queensland, subject to the administrative and compliance requirements being negotiated with fuel suppliers and retailers.

The challenge in the proposed amendments, however, is that it seeks to change labelling requirements for one state (i.e. Queensland) contrary to Federal laws. Such a change means that:

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- a) Fuel retailers sourcing supplies will have to find a practical mechanism for validating the ethanol concentration of their E10 supply over and above current supply practices (i.e., for those that label their pumps according to Section 6(2)(a) of the current *Fuel Quality Standards (Ethanol) Information Standards 2019*; and
- b) There is a potential risk of market confusion for motorists buying E10 in border regions.

Given the inherent contradiction in State and Federal Laws that would arise from the adoption of the proposed amendment, there appears to be a need to ensure that the proposed 9% floor is practical.

In addition, the liability for compliance should be placed on the State's fuel suppliers following further consultation with suppliers about the appropriateness of setting a 9% floor in ethanol concentration.

Should this proposal be legislated, the education campaign referenced above could include the action taken by the Government to 'set the standard' for biobased petrol.


Yours sincerely



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ENDS

For more information:

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Background:

The Motor Trades Association of Queensland (**MTA Queensland**) is the peak body representing the interests of employers in the retail, repair, and service sectors of Queensland's automotive industry. MTA Queensland has been performing its vital representative role for the automotive industry since 1929. In Queensland there are some 16,000 automotive businesses employing more than 90,000 people, that generate more than \$7.24 billion to the state economy annually. The automotive industry is estimated to contribute \$37 billion to the Australian economy each year. The Association represents and promotes issues of relevance to all levels of government. In 2019 MTA Queensland was announced as an ABA100 winner in The Australian Business Awards and a finalist in the Lord Mayor's Business Awards, for Business Innovation.

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The **MTA Institute (RTO 31529)** is the leading automotive training provider in Queensland offering nationally recognised training, covering technical, retail and the aftermarket sectors of the automotive industry. The MTA Institute is the largest independent automotive training provider in Queensland, employing experienced trainers who are geographically dispersed from Cairns to the Gold Coast and Toowoomba to Emerald. In the last year, the MTA Institute delivered accredited courses to more than 2,000 students. The MTA Institute is the first trade RTO in Australia to be approved under the ITECA Industry Certification Program and was the winner of the Small Training Provider of the Year at the 2019 Queensland Training Awards.

MTA*i*Q, Australia's first automotive innovation hub established by MTA Queensland in 2017, is an ecosystem that supports innovation and research for the motor trades.

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