



Speech by

**Hon. D. WELLS**

**MEMBER FOR MURRUMBIDGE**

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Hansard 26 February 2003

### **MINISTERIAL STATEMENT**

#### **Ethanol**

**Hon. D. M. WELLS** (Murrumbidgee—ALP) (Minister for Environment) (10.05 a.m.): I wish to report to the House regarding the state of the fledgling ethanol industry in the wake of BP's decision last week to stop manufacturing ethanol blended fuels anywhere in Australia. Ethanol is a renewable energy source. It is a clean, green fuel that has the capacity to reduce fossil fuel consumption and greenhouse gas emissions. Manufacturers' warranties extend to ethanol powered vehicles provided ethanol concentration does not exceed 10 per cent, yet BP has announced that its Brisbane based marketing trial of petrol containing 10 per cent ethanol, known as E10, will be concluding over the next few weeks. This is a direct result of Mr Howard's inaction. A Smart State industry is at risk due the federal government's failure to put a 10 per cent cap on ethanol.

The Queensland government has shown strong, consistent support for the development of a fuel ethanol industry in the state through project facilitation by the Minister for Public Works, promoting the use of E10 by QFleet and by making amendments to Reid vapour pressure regulations, which are technical rules that now allow the manufacture of E10 only in south-east Queensland but not ethanol in higher concentrations.

Neumann Petroleum has written to the government offering to produce the requirement the state government has for its government fleet. In north Queensland the Douglas Shire Council recently gave planning approval for construction of a 40 million litre per year ethanol plant at the Mossman sugar mill. All that is needed for construction to commence is for the federal government to make a decision.

The EPA has been meeting with John Holland Development and Investment and Maroochy Shire Council in relation to the viability of a Yandina ethanol plant. A feasibility study is expected to be finalised by the end of May. The Sarina ethanol plant is looking at the possibility of a 100 to 120 million litre per year ethanol plant in the Burdekin. However, CSR is hamstrung until the federal government acts responsibly on this issue. CSR is awaiting the federal government's position.

Petro has indicated to the EPA, my department, that it has prepared a final feasibility study that has been accepted by its financiers, dependent on the federal government. Queensland's developing ethanol industry is now being jeopardised by unfavourable media coverage of ethanol related specifically to incidents in New South Wales and Victoria where some distributors are selling ethanol in petrol at concentrations up to 30 per cent. This publicity has affected the Queensland market and is directly linked to BP's temporary exit from the E10 market. The tragic paradox is that all of this negative publicity is irrelevant to Queensland. We cannot get ethanol blended petrol in higher concentrations than E10 in Queensland. E10 is safe; higher concentrations are not. But we can only get the safe concentration, E10, in Queensland.

The Minister for Public Works advises me there have been no instances of vehicle technical problems associated with the use of E10 in the government vehicle fleet. The federal government needs to establish a 10 per cent ceiling on the ethanol concentration in Australian fuels and introduce compulsory labelling.

A recent lifecycle analysis of existing Australian production facilities concludes that there would be a six per cent greenhouse benefit in using E10 when compared to using petrol. This Friday, officers

from my department will meet with the CSIRO and ethanol industry representatives to negotiate for the CSIRO and the Australian Greenhouse Office to conduct an independent review of this report.

The federal government must give certainty to the Australian market. BP has stated publicly that it would consider reintroducing the product into the Australian fuels market should consumer perceptions of it improve. BP has written to all editors of Queensland newspapers stating—

The first steps will involve the Australian Government ... effectively policing a 10 per cent volume limit on ethanol blending.

And from Neumann Petroleum—

The federal government needs to make clear its intentions regarding the future use of ethanol in order to bring clarity ... and certainty.

The future of ethanol in Queensland is not bleak. We will continue to stand by and support the development and growth of this industry. But Mr Howard and the federal government need to recall that they also need to govern Australia and they need to act.