



Speech by

Mike Horan

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PETROLEUM, GAS AND OTHER LEGISLATION BILLS

Mr HORAN (Toowoomba South—NPA) (7.39 p.m.): Both the Petroleum and Other Legislation Amendment Bill and the Petroleum and Gas (Production and Safety) Bill deal with giving security of tenure to those involved in the very important exploration industry in Queensland. These bills are about modernising the legislation, taking into account some of the very complicated issues of coal seam methane gas, having perhaps two different people exploiting coal on the one hand and the gas that is within the coal seams on the other hand, and making the whole system of leases and extracting of the gas and the coal compatible and able to work efficiently.

It is very important that we consider the whole issue of exploration and petroleum. We are talking about non-renewable resources. We as communities have to be concerned about the amount of available petroleum Australia and Queensland have and how much exploration is being undertaken. We need to encourage exploration for petroleum just as we need to encourage exploration for coal and gas, which are alternative power sources for industry as opposed to petroleum which is, generally speaking, a power source for motor vehicles and transportation.

This legislation is aimed at making sure that those who are searching for or involved in the production relating to gas or petroleum in particular are working in an exploration regime similar to the one in which those who are after minerals and coal work. That is one of the reasons we will be supporting these bills.

I will speak in particular about the issue of ethanol. When we talk about petroleum and the importance of exploration, we know that Australia currently produces somewhere in the order of 25 per cent of our petroleum needs. Much of that is coming from Bass Strait and the north-west offshore of Australia. As I said, it is a non-renewable resource. Once it has been used it is gone. Much of our national debt comes from the fact that we have to import so much of our fuel.

I think a state such as Queensland is well placed. We are a great state when it comes to coal. We are a great state when it comes to gas. This legislation seeks to modernise the approach to the exploration, use and piping of gas. I think the next step for us as a state is to exploit the natural abilities we have, through industries such as the sugarcane industry and the grain industry, to develop ethanol to blend in with petroleum to provide us as a state with a certain percentage of renewable fuel, produced here on our own land.

I want to speak about the proposed plant at Dalby. It is close to a number of the coalmines being developed in that area. A couple of years ago I had a look at a project out there that was using this Siberian technology of producing gas by burning the coal. The land actually subsided two or three metres after the coal was burnt underground, producing the gas. It showed some promise. I am not sure just where that project is at the moment. The coalmines in that area are certainly providing a great economic boost to the area.

Those proponents who wish to go through the expensive up-front process of producing ethanol are up against a very competitive market. For them to produce ethanol successfully and viable commercially,

the ethanol has to be the same price or cheaper than other fuels so that people will purchase it. Those proponents of the ethanol plant at Dalby have been very cognisant of that.

One of the benefits of ethanol is the high octane rating. If it is priced the same as standard fuel, people will be getting a premium fuel which will burn better. I think it is important that we as a state look at a blend of ethanol and fuel so that we take advantage of the assets of our sugarcane and grain industries.

The project at Dalby would cost in the order of \$80 million and would bring enormous benefits to the area of Dalby and the grain growing areas of the Darling Downs. The octane level is in the order of 95 per cent, which means that ethanol is a premium product. If it is sold at the same price as standard fuel people get better value because of the quality.

A couple of years ago I had the opportunity to go to America to look at ethanol production in Minnesota and Nebraska. It was very interesting to see how that developed. In Australia there has been virtually the same sort of opposition that occurred in America, but in America now virtually all fuel contains 10 per cent ethanol. There are in the order of 80 ethanol plants, mostly through the mid-west corn and grain production states. Wherever ethanol plants have been developed they have provided a real boost to the economy and to communities. Normally they employ somewhere in the order of 60 skilled people. They pay good wages. In a country area, that level of technology—boilermakers, technical workers and computer operators working in the ethanol plant—provides a real boost, particularly for the young people. We in Queensland have the opportunity to produce ethanol not only from grain, as they do in America, but also from sugarcane.

Once the state of Minnesota mandated a 10 per cent ethanol content in fuel, the fledgling industry was able to develop. That flowed through to some other states. Other states, such as California, introduced clean air bills. The combination of clean air bills and subsidies or mandating—in some states there have been subsidies and in other states there has been a mandating—meant that this industry was able to get off the ground.

For places such as Dalby and Chinchilla, which are now starting to see some of the benefits of the coalmining industry that is developing in that area, with coalmines and a proposed power station, the addition of another industrial aspect, such as ethanol production, would be wonderful for the towns and the area. As I said, the expected cost of the plant would be \$80 million. It would provide about 35 jobs. That has a flow-on effect of six to one. About 450 people would be employed in construction. The plant would produce 80 million litres per annum and it would provide distillers grain, which is a high-protein feed, to feedlots. This would be a bonus, if you like. In the case of many of the ethanol plants I saw in America, the production of either the wet or dried grains to feedlots, intensive dairy farms and so on provided some of the actual profit that was made on the product.

There has been some comment by the Australian Lot Feeders Association and others about whether this would put up the price of grain. I think we have to be very careful that we do not get frightened to put in place an industry that would actually increase the returns to farmers for their grain simply because that might flow on to another primary industry such as feedlots. I believe there have been some discussions between the proponents of Dalby and the Australian Lot Feeders Association and GrainCorp about taking a variety of feed, such as wheat, barley, corn and mixed grains, so that they are not just taking from the sorghum or the corn market.

There have always been a couple of issues in Australia. One has been the excise, which is now capped at 38.2c per litre. The federal government has put in an arrangement that ethanol could be excise free to 2011 and then there would be a small increase of 2.5c per year over five years to a cap of 12.5c, which would enable this fledgling industry to get up and running. I think it is something that we have to approach seriously.

I was somewhat heartened to hear that the Premier, who opposed the mandate that we talked about as being necessary, has seen that it was necessary for people in his department to put together a 34-point plan regarding projects such as Dalby—

Mr Swarten: We put them into government cars, though.

Mr HORAN:—and some of the sugar—

Mr Swarten interjected.

Mr HORAN: You put them in government cars for a while and then you stopped it.

Mr Swarten: No, no, we didn't; BP did.

Mr HORAN: Yes.

I spoke about the issue of America and how the opposition happened there, and much of it came from the automobile industry and some of the big petrol companies. But now that it is 10 per cent right throughout America, there are leaflets, pamphlets and flyers being put out by the fuel companies and by the major car organisations extolling the virtues of 10 per cent ethanol and a 10 per cent blend.

In nations like Brazil, with its massive sugar industry, about 50 per cent of its sugar industry is going into the production of ethanol. Brazil has cars running on 80 and 90 per cent ethanol. I believe that the RACQ in Queensland has now taken a far better approach to and understanding of ethanol. It did have make some contrary comments a while back. It is good to see that it is now understanding and agreeing with the value of ethanol production.

We have seen some of the American schemes copied in Australia where petrol stations displayed signs and people had stickers on their cars saying 'No E10 in this fuel', trying to imply by perception that there was something wrong with a 10 per cent blend of ethanol. It is simply not true, but that is the way that the opposition to ethanol works. It is opposition that is denying us in Australia the opportunity to be able to reduce some of our foreign debt and to have a far lesser reliance on overseas countries—whether they be in the Middle East, Asia or other parts of the world—to import fuel to our nation when we could, in fact, produce that fuel ourselves.

Whilst we are debating the issue of security of tenures and the legislation that covers exploration for petroleum and gas and the systems of making exploration leases workable and practical in the modern context, I think it is time for us to also realise that on our doorstep is a wonderful opportunity to be able to produce ethanol from the grain that we grow and to produce ethanol from the sugar cane that we grow. That will reduce our reliance dramatically on petroleum, and I certainly hope that this legislation encourages exploration. We need that exploration to take place. We need to boost Australia's production of petroleum to a level that is far higher than the amount that we produce now. We need to be able to extract and use these massive amounts of gas that are between the seams of coal within our coal fields.

I hope that the government takes note of the things that I have said tonight about ethanol, because Queensland is uniquely placed to be able to take the greatest and best advantage of it. Much has been said—and I agree with it—about the opportunity in the sugar industry to be able to provide flexibility of pricing and flexibility of income for those in the sugar areas through the production of ethanol. There is also the opportunity in the grain growing areas, and I have mentioned specifically the project at Dalby because it has taken huge financial courage by the people involved in trying to put this together.

When something is being done that is pioneering and new, it is always difficult. It does need the support of both the federal government and the state government to make this happen. The greatest thing that the state government could do would be to investigate fully the whole issue of mandating. It has been done successfully in the United States and it worked. It can be done here. There are legal opinions that the process of mandating can be done. We have argued in this parliament in debates on private members' bills which have been introduced in the parliament that Queensland can go it alone in the process of mandating. That would be a thing that would give us a good push and a start to a great Queensland industry. It would see Queensland then starting to have a greater reliance on a renewable fuel—a fuel that can be produced from the sunshine, the fertility of the ground and the rain—from grain crops instead of simply mining operations on non-renewable sources. At the same time it would certainly give us environmental advantages because it is a far cleaner burning fuel whilst having a higher octane rating. That has to be good news for our city and good news for the reduction of pollution, particularly in coastal areas such as Brisbane which have a mountain at the back of them.

I hope that the government will take note of what has been said tonight and do everything possible to support us and the Nationals, who have been pushing the ethanol issue because we believe it is practical, it is good for Queensland and it is good for the environment.