



Speech By  
**Hon. Mark Bailey**


**MEMBER FOR YEERONGPILLY**

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## **LIQUID FUEL SUPPLY (ETHANOL AND OTHER BIOFUELS MANDATE) AMENDMENT BILL**

### **Introduction**

 **Hon. MC BAILEY** (Yeerongpilly—ALP) (Minister for Main Roads, Road Safety and Ports and Minister for Energy and Water Supply) (12.37 pm): I present a bill for an act to amend the Liquid Fuel Supply Act 1984 to introduce a mandate for biofuels including ethanol and biodiesel, and for other particular purposes. I table the bill and explanatory notes. I nominate the Utilities, Science and Innovation Committee to consider the bill.

*Tabled paper:* Liquid Fuel (Ethanol and Other Biofuels Mandate) Amendment Bill 2015 [\[1063\]](#).

*Tabled paper:* Liquid Fuel (Ethanol and Other Biofuels Mandate) Amendment Bill 2015, explanatory notes [\[1064\]](#).

I present a bill for an act to amend the Liquid Fuel Supply Act 1984 to mandate the use of ethanol and other biofuels in Queensland. The Liquid Fuel Supply (Ethanol and Other Biofuels Mandate) Amendment Bill 2015 provides for a biobased petrol mandate and a biobased diesel mandate. Practically speaking, this is a mandate to support the use of ethanol and biodiesel, as well as other emerging biofuels as they become available to market. It is intended that the mandate will commence on 1 July 2016, with all fuel sellers having to register with the Queensland government from 1 January 2016. The mandate will support the development of a sustainable biofuels industry that can help Queensland transition to a clean energy economy, contribute to regional growth and job creation and promote the development of an advanced biomanufacturing industry.

Biofuels are a global presence and large scale production occurs in China, Brazil and the United States. Biofuel production in the United States is mainly ethanol and biodiesel. Corn is the main feedstock for producing ethanol. I believe they have nearly 200 plants. As at 1 January 2015, the United States had a production capacity of about 56 billion litres a year. In 2014 the United States produced about 4½ billion litres of biodiesel.

In Queensland, the biofuels industry, and particularly ethanol, has struggled to advance due to a lack of long-term policy certainty. There have been a number of false starts to an ethanol mandate, including a proposal for a legislated mandate to start at the end of 2010. In Queensland, the use of ethanol blended fuel peaked in 2010-11 at around 900 million litres or 2.7 per cent of regular unleaded petrol sold, but has since fallen to around 350 million litres in 2013-14 or about 1.2 per cent of regular unleaded petrol. A legislated mandate of two per cent for biobased petrol such as ethanol will, therefore, provide the policy certainty that industry can take as a solid commitment from government to back the growth of a vibrant biofuels and biomanufacturing industry in Queensland.

On 4 June 2015, the government released for consultation a discussion paper about a proposed mandate and ways government can support the biofuels industry and grow the biomanufacturing industry. The community and industry participated in this consultation process and provided very good

feedback on the issues that were of importance to them. Almost 300 people attended nine public forums in Dalby, Bundaberg, Townsville, Ingham, Ayr, Mackay, Mareeba, Brisbane and Innisfail. The government also held three industry workshops and met with numerous stakeholders. I certainly thank all the government members who attended those public forums. Eighty-eight written submissions were received in response to the discussion paper. That was fabulous participation in the government's consultation process and I thank everybody from the community who got involved for their helpful contributions.

Getting involved in the government's public consultation is invaluable in developing the right framework and the bill that I introduce to the assembly today. As a result of the consultation undertaken, the bill resolves a number of the questions outlined in the discussion paper, including: setting a biobased diesel mandate at 0.5 per cent; setting a volumetric threshold of petrol fuel sales for fuel retailers' liability, in addition to the original threshold of 10 service stations; determining that liability for the biobased petrol ethanol mandate will apply only to fuel retailers, while the biobased diesel mandate will apply only to fuel wholesalers, as opposed to both wholesalers and retailers being liable to meet both mandates; and including provisions for the establishment of a fuel sellers' register and reporting requirements that will support the introduction of the mandates and ongoing review and adjustment over time where necessary.

This bill provides for a two per cent mandate for biobased petrol that includes ethanol or, in the future, other types of biobased petrol. The most common biofuel sold in Australia is E10. E10 is generally regular unleaded petrol blended with up to 10 per cent ethanol but is also available in premium blends. The two per cent is to be calculated against total sales of regular unleaded petrol, plus a regular biobased petrol blend such as E10, but excludes premium petrol. In practice, this mandate will mean that at least 20 per cent of non-premium petrol sales must be E10 ethanol blended petrol. Another way of putting this is that fuel retailers would need to sell one litre of E10 petrol for every four litres sold of regular unleaded petrol. For fuel retailers, this will provide flexibility to determine the best retail locations for sales of their biobased petrol that includes ethanol.

Importantly, this starting level for the mandate retains consumer choice for the type of fuel that consumers wish to use, particularly for those who may have vehicles incompatible with ethanol blends. Maintaining consumer choice at pumps avoids forcing some motorists who may, for example, drive older incompatible cars with carburettors to use more expensive premium petrol.

Based on Queensland's petrol consumption in 2013-14, a two per cent mandate equates to about 60 megalitres of ethanol per year. This initial mandated level will mean a two-thirds or 66 per cent increase in current ethanol sales. Therefore, the proposed mandate level will significantly boost the prospects for biofuel industry development, especially in regional Queensland, while striking a balance for consumers and fuel sellers by maintaining flexibility and consumer choice of fuels.

Although it is initially set at two per cent, the act allows the mandate to be increased by regulation. The government intends that the mandate will increase over time to drive investment in the biofuels and biomanufacturing industries and transition into a clean energy future. This pathway for future increases to the mandate will also give time for market and industry to get ready. Initially, the ethanol mandate will be applied to fuel retailers and not to fuel wholesalers. However, the government will be able to set a mandated percentage for wholesalers in the future if retailers have difficulty securing supplies of ethanol blended fuels.

Ethanol is only one of a number of biofuels for which Queensland has a competitive advantage. In Queensland, use of diesel fuel is growing by over nine per cent on average per year while, overall, sales of petrol are slowly declining. Around 80 per cent of service stations in the state offered diesel fuel. Up to five per cent biodiesel can be added to mineral diesel without specific labelling or other consumer advice. Many motorists would be unaware that they are already purchasing biodiesel when they fill up at the bowsers. As a completely renewable source of fuel, biodiesel provides a further opportunity to transition to a cleaner fuel economy.

Including a mandate for biobased diesel in the bill provides a more holistic industry solution with the potential to deliver more regional development opportunities and jobs and more investment opportunities for producers. In response to stakeholder consultation, the bill sets an initial half a per cent mandate for sustainable biobased diesel. Biobased diesel can be produced from plant oils and animal oils, biomass or waste. Based on Queensland's diesel consumption in 2013-14, a half a per cent biobased diesel mandate equates to just over 33 megalitres of biobased diesel. This target is achievable and, as diesel use is growing, will encourage new investment.

Currently, Queensland's only biodiesel producer is located at Narangba, with a capacity of approximately 30 megalitres of biodiesel annually and uses tallow and used cooking oil as its feedstock. Other types of biobased diesels that can be produced from biomass or waste must meet the

Commonwealth government's fuel quality standards for diesel. These can be blended with mineral diesel in any quantity or be a product in its own right. While the biobased diesel industry in Queensland is small, the production technology lends itself to modular plants, therefore providing significant investment opportunities in local regional communities to increase production in line with increased demand for biobased diesel.

The introduction of a mandate will provide policy certainty to existing biofuel producers, as well as facilitate new investment and employment opportunities. The mandates are an opportunity for the biofuel industry in Queensland to establish markets, infrastructure and skills needed to achieve an efficient transition from first generation to advanced biofuel technologies as these become commercially viable. The government is taking a measured approach whereby the percentage mandated can increase at the right time to allow the market, industry and motorists to adapt. There is sufficient flexibility in the bill to respond to market changes such as technological developments and supply and demand shifts that may impact on industry, consumers or the state. Prior to further increases to the mandated percentages for biobased petrol or biobased diesel, the Queensland Productivity Commission will review the effectiveness of the mandate and market conditions.

During the next few months and in preparation for the commencement of the mandate, my department will continue to engage with key industry representatives and technical experts to consider a range of implementation issues including: the impact of the volumetric fuel sale thresholds on the fuel retailers; a framework to guide assessment of exemption applications against the criteria set out in the bill; a framework for assessing compliance with the prescribed sustainability criteria; and advice on how the biobased diesel mandate could be increased over time in light of the potential growth trajectory for the industry in Queensland. In conjunction with partner agencies, my department will, by 1 January 2016, establish a fuel sellers' registry and secure storage of fuel sellers' reports for compliance with the biofuels mandate.

My department is also working closely with the Department of Environment and Heritage Protection on suitable sustainability criteria for biofuels. This will ensure biofuels sold in Queensland avoid unintended environmental impacts that have occurred in other jurisdictions when establishing biofuel mandates. By increasing the state's use of sustainable biofuels, Queenslanders are set to gain other environmental benefits, including reduced greenhouse gas emissions. For example, using E10 instead of regular unleaded petrol can reduce greenhouse gas emissions by three to five per cent, depending on the feedstock used to create the ethanol. Stakeholders were also unanimous in recommending a consumer education campaign to complement the introduction of the mandates. The government will work with industry and motoring groups to develop a consumer education campaign for the start of a mandate.

Finally, a mandate will not only provide certainty to industry while maintaining customer choice at the bowser but also stimulate industry development. While a thriving biofuels industry is highly beneficial in its own right, it also has the potential to help create the foundation for a new biomanufacturing industry in Queensland. Biomanufacturing is seen as a major global opportunity and Queensland's climate, technically advanced agricultural sector and large biomass supply means we are well placed to take part. I commend the bill to the House.

### **First Reading**

**Hon. MC BAILEY** (Yeerongpilly—ALP) (Minister for Main Roads, Road Safety and Ports and Minister for Energy and Water Supply) (12.49 pm): I move—

That the bill be now read a first time.

Question put—That the bill be now read a first time.

Motion agreed to.

Bill read a first time.

### **Referral to the Utilities, Science and Innovation Committee**

**Mr DEPUTY SPEAKER** (Mr Furner): Order! In accordance with standing order 131, the bill is now referred to the Utilities, Science and Innovation Committee.