




Speech By
Hon. Mark Bailey

MEMBER FOR YEERONGPILLY

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

 **Hon. MC BAILEY** (Yeerongpilly—ALP) (Minister for Main Roads, Road Safety and Ports and Minister for Energy and Water Supply) (4.41 pm): I would like to thank the Utilities, Science and Innovation Committee for its consideration of the Liquid Fuel Supply (Ethanol and Other Biofuels Mandate) Amendment Bill 2015. I thank the chair of the committee, the member for Kallangur, and all other committee members for their comprehensive and well-considered report of 17 November 2015. I also acknowledge the hard work of our committee staff in supporting the committee during its examination of the bill and in preparing the committee's report. I also thank the many people and organisations who took the time to make submissions to the committee and to appear as witnesses at the committee's public hearings.

The committee held public hearings in Brisbane and also travelled to Mackay, which is one of the many regions in Queensland that will benefit from the policy objectives of the bill. The committee's public hearing in Mackay also coincided with the government's first meeting of the Biofutures Cabinet Committee which was chaired by the Premier. That meeting was held at Mackay Sugar's Racecourse Mill and included a tour of the Queensland University of Technology's Mackay Renewable Biocommodities Pilot Plant. I also thank my Department of Energy and Water Supply for its contributions to the committee and the bill.

The government is committed to developing a sustainable biofuels and industrial biotechnology sector here in Queensland. This has been an objective of Labor in Queensland for over a decade. The Queensland government has provided a range of support for the biofuels industry in the past, including consumer education campaigns and research grants and funding. While biofuels mandates have been proposed in Queensland before, none have eventuated. In 2006 the Labor government proposed a five per cent ethanol mandate across the regular unleaded petrol market to take effect from 31 December 2010. On 28 October 2010, due to ethanol supply constraints and uncertainty around the federal fuel excise, the government placed the introduction of the mandate on hold and as a consequence no progress really resulted.

The Palaszczuk government was elected with the goal of diversifying our economy. Industrial biotechnology is a real opportunity to diversify the Queensland economy and help create thousands of regional jobs and a new high-value knowledge-intensive industry. The biofuels mandates will help Queensland transition to a clean energy economy, grow our biofuels and biomanufacturing sectors and boost jobs across the industry, especially in regional Queensland. The biobased chemicals industry is estimated by QUT research to be worth between \$240 billion and \$570 billion by 2024 worldwide. Bioplastic consumption is expected to reach between 10 to 20 per cent of all plastics by 2020, and ethanol is now a common fuel in more than 60 nations.

Queensland is well placed to take advantage of this industry. We have a highly appropriate climate, available biomass, an advanced agricultural sector and world-class research capabilities and

established partnerships with the leaders in international industry. The key elements of the bill include mandating that certain fuel retailers sell at least the minimum prescribed percentage of sustainable biobased petrol. I would like to point out that this is the mandated minimum and not an aspirational target. As a result of the feedback received through the committee process directly to me, I am proposing that the mandate for biobased petrol commence at three per cent. However, to ensure that there is sufficient time for the industry to adjust, both the mandate for biobased petrol and biodiesel will now commence 1 January 2017.

Currently the most available biobased petrol is ethanol, which is blended with mineral based petrol and sold as E10. The bill nevertheless allows for new types of biobased petrol that may be developed in the future to count toward the mandate, further helping to stimulate investment and innovation in the biotechnology sector in Queensland. The bill also mandates that fuel wholesalers sell at least the minimum prescribed percentage of sustainable biobased diesel. The bill applies the biobased diesel mandate to wholesalers and not retailers. This is because the diesel fuel market differs to petrol in that most diesel fuel in Queensland is sold to large commercial customers rather than to motorists at retail service stations.

The bill establishes starting percentages for the biofuels mandates. These starting percentages may be changed by regulation. The bill establishes a fuel sellers' register. This register will allow the government to track not only how well the biofuels policy is working, but to monitor the performance of fuel sellers in meeting their minimum biofuel sales under the mandates. It is intended that the provisions of establishing the fuel sellers' register will commence in early 2016, which is well ahead of the mandates commencing. The bill provides that fuel sellers can apply to the minister for an exemption from a mandate in certain circumstances. An exception may be refused or granted with or without conditions.

The government recognises that some fuel retailers will need time to fully adjust to the mandate requirements and to make infrastructure changes in order to sell E10. The bill also allows for the mandate to be temporarily suspended for stated periods of not more than 12 months in limited circumstances. A suspension may apply to either or both of the ethanol or biobased diesel mandates for all or just a stated class of fuel sellers. Suspension decisions are subordinate legislation and therefore are potentially subject to disallowance motions in the House.

I am pleased to say that the members of the Utilities, Science and Innovation Committee have unanimously recommended that the bill be passed. The committee members have unanimously agreed to a total of 13 recommendations about the bill and its objectives. The committee report also states—

The Committee has agreed to recommend that the Bill be passed, and is strongly of the view that bipartisan support is required for the biofuels mandate to succeed in achieving their policy objectives over the longer term.

It is a great credit to the consultative approach of this government that it has seen such a clear statement of bipartisan support to pass this bill.

The committee also expressed concern that the starting mandate percentage of two per cent for the ethanol mandate is not sufficient by itself to encourage additional investment in Queensland's biofuels industry. I concur with the committee's assessment and will move an amendment to commence the mandate at three per cent. I also note that there was some concern as to whether the expected start date of 1 July 2016 for the mandates will allow sufficient lead-in time for implementation. Given the higher starting mandate, I am proposing to commence the mandates from 1 January 2017.

The committee has done thorough work in relation to the bill, and I congratulate them on fulfilling their role so well. Mr Speaker, I now table the government's response to the committee's report.

Tabled paper: Utilities, Science and Innovation Committee: Report No. 8, 55th Parliament—Liquid Fuel Supply (Ethanol and Other Biofuels Mandate) Amendment Bill 2015, government response [\[1780\]](#).

I will now address a number of the committee's recommendations that propose amendments to be made to the bill or that seek clarification during this debate. It was initially the government's intention that the biobased petrol mandate and the biobased diesel mandate would start on 1 July 2016. The committee's second recommendation is that the minister 'when making a final decision on the commencement date for the biobased petrol mandate ensure there is sufficient lead-in time for the finalisation' of a number of implementation matters. The government accepts this recommendation of the committee. The bill allows for the starting mandates to be commenced by proclamation. Therefore, I will commence the mandates from 1 January 2017.

The government has already commenced work on implementation issues, in consultation with key industry partners. Representatives of the RACQ, the Biofuels Association of Australia, the Australasian Convenience and Petroleum Marketers Association and the Australian Institute of Petroleum have been meeting with Department of Energy and Water Supply officers regularly, with the next meeting of this group scheduled for early this month. Work is underway on the development of an exemptions framework, the education and awareness campaign, and compliance and enforcement

measures to support the commencement of the mandate. The Department of Environment and Heritage Protection is also holding workshops with stakeholders to support the development of the sustainability criteria over the next few months. I thank them for their work and support in terms of this bill.

Further, I can assure the House that my department will work expeditiously to determine if the volumetric threshold as set out in the bill is appropriate or should change and will advise fuel retailers whether they will be liable to comply with the biobased petrol mandate as soon as possible after reporting has commenced. My department will be working to ensure all fuel sellers understand and are readily able to comply with these reporting requirements. My department will also be working with industry over the coming months to understand what infrastructure changes fuel sellers will need to make in preparation for the mandates, including planning and development approvals. The committee raised a concern about the need for timely planning approvals for service station operators needing to undertake infrastructure upgrades to enable the sale of ethanol.

The committee also recommends that the bill be amended to ensure there are no unintended consequences for fuel retailers in the areas where low-aromatic fuel is required to replace regular unleaded petrol including E10. The government also accepts this recommendation. My department became aware during the later stages of public consultation that there was a potential inconsistency between the bill and the Australian government's Petrol Sniffing Strategy, under which low-aromatic fuel is being rolled out to more communities in North and North-West Queensland where petrol sniffing is a problem. Low-aromatic unleaded fuel is specifically designed to contain low levels of aromatic compounds such as benzene, toluene and xylene which give people who sniff petrol a high. At the locations where low-aromatic fuel is introduced, regular unleaded petrol is removed from sale. Regular grade E10 must also be removed from sale in those communities, which would be inconsistent with the ethanol mandate for those fuel retailers. I will move amendments to the bill during consideration in detail that will exempt retailers selling low-aromatic fuels in those communities from having to comply with the biobased petrol mandate.

Recommendation 4 of the committee is that, in order to provide assurance to existing ethanol and biodiesel producers, the bill be amended to provide that 'the minimum percentage for the biofuels mandate cannot be prescribed by regulation to be less than the initial mandates' set out in the legislation and that only increases to the biofuels mandate can be prescribed by regulation, requiring any reduction in the mandated targets to be introduced through an amendment to the act.

The government accepts the first part of this recommendation, and I will move amendments to the bill during consideration in detail to prevent regulations from prescribing biofuels mandate percentages any less than the starting percentages stated in the bill. However, the second part of the recommendation would remove the flexibility to respond to changes in the petrol and biofuels markets. For example, there is a long-term supply issue for biofuels in Queensland. Instead of suspending the mandate the minister may choose to decrease the mandate, for example from six per cent to five per cent, to ensure continuation of production of fuels in Queensland while acknowledging supply capacity issues, rather than import the difference from other sources.

The committee, in recommendation 4, asks that I explain how the bill precludes the remaking of a further suspension declaration following an initial 12-month suspension and, if it does not preclude a further declaration, recommends the bill be amended to ensure that the mandate can only be suspended for more than 12 months through an amendment to the act. The bill as drafted does not preclude the making of a further suspension declaration once an initial 12-month declaration has ended. The committee raised concerns that this suspension power has the potential to be used repeatedly to suspend the mandate statewide and undermine the policy intent of the bill. It is not intended that the suspension power be used in this way. This is one of the reasons the bill subjects suspension decisions to parliamentary scrutiny. Whether they be new suspension decisions, remade suspension decisions or a decision to cancel a suspension, all are potentially subject to a disallowance motion in this House. However, suspension decisions may also be made for a regional area in response to a natural disaster or a public health and safety issue.

Unfortunately, Queensland has more than its fair share of natural disasters. It is possible that a region of Queensland is impacted by a natural disaster such as a cyclone and floods in the wet season and again impacted one year later in the following wet season. If a suspension is already in place for a region recovering from a natural disaster and the same area is again hit by a further natural disaster in the next season, it is entirely appropriate that a minister be able to make another suspension decision. Therefore, the government has partially accepted this recommendation of the committee. I will move amendments to the bill during consideration in detail that will only allow remaking of suspension decisions for those extraordinary circumstances such as a natural disaster or for public health and safety reasons.

Recommendation 6 of the committee is that the bill be amended to provide that the volumetric threshold amount for fuel retailers cannot be prescribed to be lower than 250,000 litres and if an increase in the threshold amount is required following analysis of the fuel sales data in 2016 the amendment be made in reasonable time for petrol retailers to undertake infrastructure upgrades. The government partially accepts this recommendation. The government will expeditiously analyse fuel sales data in 2016 to determine whether the threshold is an appropriate starting point. An increase to the threshold, if any, will be prescribed as soon as practicable, and months before the mandate starts, to give as much time as possible to fuel retailers to prepare for the commencement. But the government needs to retain the flexibility in the bill, to accommodate the growth in the use of other fuels in the future, to be able to reduce the threshold. While it is unlikely that any decrease to the 250,000-litre threshold will be made in the near future, the government should have the flexibility over time to respond to potential changes in the fuel supply market that may happen in years to come.

Recommendation 10 of the committee is that in my second reading speech I commit to the government providing funds towards and leading a comprehensive consumer education and awareness campaign in conjunction with industry and consumer groups to dispel myths and negative perceptions on the use of fuel ethanol in vehicles and to promote its benefits. The government accepts this recommendation and shares the committee's view on the importance of an education campaign to help consumers understand their fuel choices and, where possible, select biofuels as their preferred fuel. I can assure the House that the government is already working to develop a comprehensive consumer education and awareness campaign in conjunction with industry and consumer groups and is quite advanced in this regard. The government has committed funding to the development of options for an effective, evidence based campaign, and a market research firm and creative agency has already been engaged to assist. This campaign will support consumer understanding of biofuels, motivate consumers to try biofuels and equip industry partners such as consumer groups, mechanics and fuel sellers to participate in the campaign as far as possible. The government will lead the campaign but will work with key stakeholders to ensure the best possible outcome.

Further to the consumer education and awareness campaign, the committee also recommended that the department work with organisations such as the MTA Institute of Technology and the Institute of Automotive Mechanical Engineers to ensure educational materials about ethanol blended fuels are available to educate mechanics and automotive trainees as well as others. The government accepts this recommendation and this work will form part of the education campaign I have just outlined. This campaign will include developing targeted resources and information for mechanics and motor trades groups to ensure that they have the most current information on ethanol blended fuel, compatibility of vehicles and the benefits of using biofuels.

Although not a matter concerning the bill, I will mention recommendation 12 of the committee because it asks that the government lead by example by including a requirement for the Queensland government motor vehicle fleet to refuel using E10 where practicable. The government agrees with this recommendation and fully intends to lead by example. QFleet falls within the portfolio responsibilities of the Minister for Housing and Public Works and Minister for Science and Innovation. Following the passage of the bill, I will certainly work with the minister and member for Algeester to find the best way to get QFleet vehicles to use E10. I have already personally raised the issue with the minister and I have certainly been using E10 myself throughout the year and encourage all other members to do so as well to boost Queensland jobs.

Lastly, recommendation 13 of the committee is that in my second reading speech I make a statement that the regulatory mechanism for applying the ethanol mandate to wholesalers may be triggered if the full price differential between biobased petrol and regular unleaded petrol is not passed through by the wholesalers to the retailers to ensure an adequate price differential to encourage consumers to buy biobased petrol. The government supports the principle that motorists should be able to access biofuels at a fair price and that biofuels are not subject to unacceptable profit margins by fuel sellers, particularly fuel wholesalers. The bill applies the biobased petrol mandate only to fuel retailers and not at this stage to fuel wholesalers. The bill does, however, allow for a regulation to prescribe a wholesale percentage and thus apply the mandate to fuel wholesalers if it becomes apparent that such action is necessary for the mandate to succeed. Under the bill the government has no powers to intervene in or regulate fuel prices, but I would say to fuel wholesalers that if the price differential between biobased petrol and regular unleaded petrol is not passed through then the government can consider taking action by applying the biobased petrol mandate to fuel wholesalers.

I thank committee members very much for their well considered and comprehensive report and recommendations about the bill and its implementation. Again, I am pleased that committee members not only made unanimous recommendations, including to pass the bill, but also made a strong point that bipartisan support is required for the biofuels mandate to succeed in achieving the policy objectives

over the long term. This government is committed to the success of the biofuels mandates in this bill and the broader objective of an industrial biotechnology revolution that will diversify our Queensland economy, help create thousands of regional jobs and a new, high-value knowledge-intensive industry. Biofuels and ethanol jobs were not an election commitment, but there has been a long-term Labor commitment to renewables, to renewable jobs and to economic opportunities. I commend the bill to the House. I move—

That the bill be now read a second time.