

Question on Notice

No. 1817

Asked on 12 November 2009

MR WATT ASKED THE TREASURER AND MINISTER FOR EMPLOYMENT AND ECONOMIC DEVELOPMENT (MR FRASER)—

What impact will the introduction of an ethanol mandate on 31 December 2010 have on Queensland motorists, the environment and farmers?

ANSWER:

The Queensland Government has undertaken extensive consultation with stakeholders to ensure the ethanol mandate works to deliver the intended commercial and environmental benefits whilst still providing consumer choice.

The mandate legislation has been carefully designed so that Queensland motorists will continue to have a choice of fuel. The mandate will not require that every litre of petrol sold contain ethanol. Instead, the mandate will be applied to the total volume of petrol sales. This means regular unleaded petrol will continue to remain available. Application of the mandate by volume will provide flexibility for fuel retailers to determine the best locations for ethanol blend fuel sales.

Also, premium unleaded petrol will be excluded from the ethanol mandate. This will ensure there is a choice of unblended fuels (regular unleaded and premium unleaded) for servicing vehicles that are not compatible with ethanol blends.

As a further measure to ensure consumer choice, the ethanol mandate will apply to all petrol wholesalers and to petrol retailers who own 10 or more sites. This will capture 73% of the volume of the Queensland petrol market, but only 43% of retail sites, allowing for consumer choice. There will be a significant proportion of smaller fuel retailers that can continue to operate without applying the mandate.

The December 2010 timeframe will ensure the ethanol industry, fuel retailers and Queensland motorists have time to adjust and will be ready for the mandate's commencement. The Queensland Government has already invested some \$7.3M in ensuring that the ethanol distribution network is in place and motorists are informed about ethanol.

Introduction of an ethanol mandate will have a positive environmental impact. Research undertaken by CSIRO confirms that an E10 blend offers benefits in terms of reducing life cycle vehicle emissions compared with regular unleaded petrol.

An ethanol mandate will also have positive impacts on local farmers through the expansion of ethanol production plants and the added value to sugarcane and sorghum crops. This will support employment and skills development in regional and rural Queensland, given the proximity to agricultural feedstock supplies.

A five percent mandate, based on current first generation technologies using sugarcane and sorghum, is sustainable in the Queensland context. Queensland has a competitive advantage in producing sugarcane and sorghum. Any potential negative impacts on food crops will be minimised by the large volumes of sugarcane and sorghum produced in Queensland and the incentives created by the mandate to increase these feedstock supplies.

The Queensland Government is working with industry to establish a competitive supply arrangement, to be in place by 2010, to enable the mandate to be introduced successfully.

There will be further opportunity for employment and skills development in renewable energy technologies as the ethanol industry moves into second generation production. Second generation technologies offer potential to broaden the feedstocks for ethanol production to include biomass sources such as sugarcane bagasse and woody waste from timber plantations.

Introducing an ethanol mandate is a first step that will provide an opportunity for the fuel ethanol industry in Queensland to establish the markets and infrastructure needed to capitalise on second-generation technologies when available.

The Queensland Government has invested around \$7 million through the Smart Futures Funds to support research projects into second generation ethanol production technologies and feedstock development.