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 Email: 5 March 2008

Fuel and Used Oil Policy Section
 Department of the Environment, Heritage, Water and the Arts
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Dear Sir

SUBMISSION – SETTING NATIONAL FUEL QUALITY STANDARDS: PROPOSED MANAGEMENT OF DIESEL/BIODIESEL BLENDS

We would like to thank you for the opportunity to comment on the proposal to develop standards for the management of biofuels.

Maroochy Shire Council supports the continued development of biofuels as an alternative to the continuing use of fossil fuels. In fact, Council has recently awarded a tender for the supply of B20 (80% diesel and 20% biodiesel). Council has taken this action in order to:

- Reduce greenhouse gas emissions associated with Council's vehicle fleet; and
- Reduce the potential implications of peak oil on Council activities and systems.

It is recognised that the application of standards will provide considerably more certainty for the equipment manufacturers, suppliers, distributors and consumers. However, Council has a number of concerns in relation to the setting of National Fuel Quality Standards for biofuels, these include:

- The potential to limit the sources of feedstock for production of biofuels and, as a result, restrict opportunities to provide alternative uses for marginal agricultural areas in the Shire, particularly disused sugar cane growing areas;
- The potential to reduce the cost effectiveness of purchasing biofuels with blends that have a biodiesel content that is greater than 5% through the removal of fuel tax credits and other incentives;
- The potential to adapt to climate change, from both a corporate and community perspective, due to potential limitations this may impose for greenhouse gas mitigation options; and
- The potential to hamper Australia's adaptation to peak oil by restricting biofuel production with the subsequent impacts this would have on development of existing and new biofuel alternatives.

Specific comments and suggestions in relation to the proposed standards are provided in the attached response.

I trust this is of assistance and thank you for the opportunity to provide input in relation to the proposed management of diesel/biodiesel blended fuel.

Yours sincerely

DR. STEPHEN SKULL
 MANAGER - ENVIRONMENT

Please quote our file reference number on your reply for fast tracking within Council

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Background

Maroochy Shire Council does not have the expertise to comment on highly specific technical issues that are relevant to the identification and relative merits of the specific standards for diesel/biodiesel blends that form the basis for the position paper.

While it is recognised that the provision of standardised systems and processes for the management of diesel/biodiesel blends is an appropriate action, the proposal to implement standards does have implications for Maroochy Shire and other local governments. These implications are discussed below and relevant recommendations for refining the management options are also provided.

Currently, there is significant interest in biofuels within council and the broader community.

National Actions

The Australia-wide Cities for Climate Protection (CCP) program is an initiative of the International Council for Local Environmental Initiatives (ICLEI). The program is also supported by the Australian Greenhouse Office (AGO).

CCP program is a national program targeted at corporate and community greenhouse gas (GHG) mitigation for local government. Currently the program involves 178 local governments across Australia.

ICLEI in their report *'Biodiesel in Australia: Benefits, Issues and Opportunities for Local Government Uptake'* (June 2007) recommends that:

"..in order to have more than a limited impact on reducing the environmental impact of the transport sector and reducing reliance on fossil fuels, the uptake of less environmentally harmful alternative fuels needs to be part of a fully integrated and aligned transport approach."

Consistent with this approach, over 50 local governments across Australia have participated in trials of biofuels and at least 20 have implemented more permanent arrangements for the use of biofuels for the vehicle fleets.

Corporate Commitments

Council has developed a Greenhouse Action Plan (GAP) as part of its commitment to GHG reduction.

As part of its response to corporate GHG mitigation, Council has recently entered into arrangements to be supplied with B20 (80% diesel and 20% biodiesel) for its vehicle fleet.

In addition to the recommendations of ICLEI and the positive results of other local government biofuel initiatives, this was seen as a cost effective option for reducing our corporate greenhouse gas (GHG) emissions.

In addition to GHG mitigation, Council is also concerned about the potential impacts of peak oil. While it has not been evaluated, Council would expect that the production of biofuels would form, at least in the short-term, a viable opportunity to address energy demands as the price of oil increases.

reduced local government purchasing of biodiesel, with ensuing impacts on the viability of the biodiesel industry.

Council strongly recommends that, when applying any standard for diesel/biodiesel blends, the Commonwealth Government ensure that there is continued market competitiveness of biofuels no matter what percentage is present in the blend. Should the standards involve a separate approach for blends with a biofuel content greater than 5%, the implementation of the standard should be supported by measures which maintain equity in the market for the two approaches.

(c) Developing alternative energy sources to address peak oil

A number of submissions made in relation to the discussion paper identify a concern that the application of a standard is likely to limit the biofuel industry and, therefore, impact on research and development of new biofuel or blends with biofuel content greater than 5%.

There is already a significant concern in the community regarding the cost of fuel without a real consideration of the implications of peak oil. As a result, the application of any standard which has the potential to limit the investigation of alternative energy sources or more efficient options for existing energy sources should be avoided if Australia's adaptation to the implications of peak oil is not to be significantly impacted in the long-term.

Council recommends that, when applying any standard for diesel/biodiesel blends, the Commonwealth Government should ensure that additional management options are provided to maintain and promote opportunities for investigation and development of both new and existing biofuel options.

(d) Approval Processes

The position paper indicates that an approval process would be utilised to manage the use of higher blends in commercial and captive fleet applications.

In recognition of the need to have a range of alternative blends and sources of biofuels available in Australia in the long-term, the approval process should facilitate the investigation of these alternatives.

Council would recommend that the approval process be developed with a focus on ensuring that, where trials are being conducted:

- Application processing and approval times are minimised;
- Applications fees, if any, are nominal; and
- The approval conditions have sufficient flexibility to facilitate investigation of alternative diesel/biodiesel blends.

(e) Response to Changes in the Biofuels Industry

The position paper for the Proposed Management of Diesel/Biodiesel Blends (the position paper) discusses the need for an approval process in the short-term and the need to respond to further changes in the biofuels industry in the long-term.

Given recent statements from oil companies that global peak oil is expected occur around 2015, Council would recommend that the Commonwealth Government provides clarity regarding the time frames relating to short-term and long-term actions.

(f) Labelling

The executive summary indicates that the Australia Government is not proposing to require labelling of diesel/biodiesel blends below B5. This statement is not supported by any statements