

Submission Regarding the Proposed Management of Diesel / Biodiesel Blends

I am responding to the position paper put forward by the Department of the Environment, Water, Heritage and the Arts. I have ten years of experience in the energy/utilities industry, currently work in the oil and gas industry and am a member of the Berkeley Energy and Resources Collaborative at the University of California (Berkeley).

I disagree with the current position put forward by the Department that a 5% cap be applied to blended diesel. It is somewhat difficult to see how the current proposal will “encourage continued development of the biodiesel industry, and continued growth of consumer confidence in biodiesel.” With no labeling the consumer will be unable to determine if they are using biodiesel, this will consequently have little impact on consumer confidence. In addition, without labeling and with a cap on blends an important point of marketing differentiation will be removed which is likely to be catastrophic for the Australian biodiesel industry.

It is with this in mind that I propose the amendment of the Australian diesel standard to allow blends of up to 50% by volume and that are fully compliant with the fuel quality standard for diesel. In addition, biodiesel suppliers should be able to sell commercial and retail B100 that meets the biodiesel fuel quality standard. Appropriate blend labeling should also be included as well as warnings about the use of these blends in non-compliant vehicles.

REASONING AND ISSUES:

The following items have influenced my decision and I believe should also be considered by the Department:

- The current proposal as it stands is a significant impediment to consumer choice. Not only does the proposal limit information that is available to the consumer, but it also limits options that are available. I believe that the role of the Department should be to facilitate the flow of accurate, unbiased and up to date information and not to make decisions on behalf of the consumer.
- Support for the biodiesel industry will obviously lead to more diverse options for transportation fuels. This has the potential to drive increased competition and innovation within the transportation fuels industry, particularly at the retail level. This is a practical measure that could be implemented to increase competition and support the government’s rhetoric on competition and fuel prices in Australia. It is also interesting to note that the recent ACCC report into the competitiveness of the fuel market found that refiners have established “a comfortable oligopoly” which poses a barrier to entry. While biodiesel is likely to maintain a relatively small market share it will none the less provide an alternative to consumers and will therefore increase

competition in the industry and exert downward pressure on prices for transportation fuels.

- The use of biodiesel has a significant impact on vehicle emissions with significant reductions in the overall ozone forming potential of biodiesel, including reductions in unburned hydrocarbons, carbon monoxide, PAH levels, sulfur based compounds and particulate matter. A 1998 biodiesel lifecycle study sponsored by the US Department of Energy also concluded that biodiesel reduces net CO₂ emissions by 78% when compared with petroleum diesel. It is for these reasons that I support the use of biodiesel. While I acknowledge that the use of biofuels has drawbacks, particularly in relation to competition with food sources, this is an industry in its infancy that is likely to innovate and change relatively rapidly. With appropriate incentives and government policy it is likely that more sustainable feed stock will be identified and developed. At this stage of development in the industry the most important step is to ensure a sustainable long term market to incentivise investment and innovation along a sustainable path.
- Biodiesel has been identified as one of the potential stabilization wedges for addressing climate change and has significant government support in large markets such as the US and the European Union. It is very likely that this will be a significant market in the future. It is important that a viable long term biodiesel industry be established in Australia to encourage innovation and the development of Australian intellectual property. This has the potential to lead to significant economic benefits to the country in the future.

Thank you for your time and consideration of this important topic and I certainly look forward to following the progress of government policy on renewable fuels in Australia. If you have any questions or queries please do not hesitate to contact me at