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The Manager
Fuel and Used Oil Policy Section
Department of the Environment, Heritage, Water and the Arts
G P O Box 787
CANBERRA ACT 2601

Dear Sir or Madam

Proposed Management of Diesel/Biodiesel Blends

This submission is in response to the Australian Government's Position Paper, January 2008. The submission is from one who advises agricultural interests on the potential for biofuels.

Submission summary

Support for the Government's preferred position for a 5% biodiesel blend is conditional upon the addressing of the circumstances for small regionally-based biodiesel plants and of market impediments:

- The administrative hurdles for gaining approval to sell blends of higher than 5% biodiesel under Section 13 *Fuel Quality Standards Act 2000*.
- Uncertainty of outcome in gaining Section 13 approval.
- Uncertainty as to whether there will be a carrying forward of present provisions with respect of a Section 13 approval qualifying for a fuel tax credit within the *Fuel Tax Act 2006*.

The Government having an advisory group comprised of a range of producers of biodiesel who would advise on the operational aspects of the legislation, i.e. removal of procedures that are too costly for small commercial operators and those that hobble the growth of the industry.

Administrative hurdles

From a perusal of the Procedures Manual for Approvals - Fuel Quality Standards Act 2000 the process is complex. Its complexities are akin to submitting an environmental impact statement. Like EISs the outcome lacks certainty in terms of Ministerial outcome on both achieving a variation to the standard for biodiesel or in gaining a waiver for some or the entire application fee. However, unlike EISs where extensive and detailed substantiation is required the more pages in a fuel standard application the higher the fee! It is a trial and error approach for applicants as to what is the required extent of information which amounts to a cost. For small regional plants such government administrative costs act as a disincentive to develop new products to met new markets.

Having had first hand experiences in scripting applications and EISs it is a real emotional roller coaster ride of seeing it through the administrative maze? Small regional plants lacking in-house expertise or where the principals lack the required temperament it is a real challenge to script and steer their application through the public service system. A simpler and low risk approach is required.

A two-step conceptualised system is proposed for applying for a Section 13 approval. In the first place the applicant undertakes test marketing of blends for say three months and / or with a volume cap to provide data for quantifying the market. This could be referred to as a 'temporary' authorisation. If the applicant seeks to proceed with a 'full' application, i.e. step two, the data so gathered in step one speeds up the approval process whereby an authorisation is given within 40 days of lodging a full application.

The more broadly-based consultative style of the new Australian Government is welcomed. Seeking the views of a range of biodiesel producers and stakeholders is crucial as a one size fits all policy is not appropriate for this fledgling industry. The special circumstances of small regionally-based plants need to be accounted for through the Government hearing directly from their representatives.

Uncertainty of fuel tax credit

The Position Paper is silent on the Fuel Tax Credit (FTC) scheme. This silence engenders disquiet. Will users of blends with more biodiesel than the proposed 5% have an entitlement to claim as presently occur with the Fuel Tax Act? This uncertainty needs to be rectified so as to encourage growth and development of new higher blend markets for biodiesel.

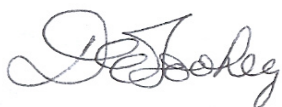
Market growth

The market for biodiesel is growing in response to consumer demand - both captive and general. This growth is being driven by a variety of factors, e.g. demand for renewable / sustainable-focused industries. Fuel standard settings need to assist growth in sustainable-focused industries. Australia rightly responds to international standards in so far as they support, not hobble, domestic growth.

Growth in the overall market from increased diversity of uses will have flow on economic and social benefits to regional production plants. Local Government's have found that Council usage of biodiesel has lead to an increase in confidence in tackling other new ideas and things.

Having a growth orientated policy on fuel standards will assist in the implementation of broader policies such as on greenhouse and changing the mindset on transportation of goods and people.

Yours faithfully



Dennis E Toohy CPAg