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The Manager  
Fuel and Used Oil Policy Section  
Department of the Environment, Heritage, Water and the Arts  
GPO 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 *Proposed Management of Diesel/Biodiesel Blends Position Paper*, January 2008. I am a biofuels consultant who has been involved in several biodiesel studies undertaken in Australia (including trials with Brisbane City Council, Camden Council, Noosa Council, Sydney Ferries and Logan Council). I currently advise commercial fleet operators who wish to convert to a biodiesel blended fuel. I have worked with biodiesel for seven years and this has given me a comprehensive understanding of the developing biodiesel industry in Australia and overseas.

There are now many fleet operators using B20 in Australia, particularly local councils, and there has been a lot of work done by many of these organisations proving the operability of higher blend fuels. The recent ICLEI Report<sup>1</sup> in June 2007 demonstrates many local councils have been using B20 without problem for a few years now and many more are in the process of converting to B20.

Therefore, my main concerns with respect to the Position Paper are:

- There has been insufficient consultation with one of the most important stakeholder groups, i.e. the existing B20 consumers, particularly local government authorities and some commercial fleets. Since the release of the original Biodiesel Blends Discussion Paper in November 2006 and the release of the Position Paper in January 2008, there have been many developments in the biodiesel market in Australia, with growing approval of B20 (or greater) by many OEMs and the uptake of B20 by many fleet operators as more studies are completed.
- The trend for the growing confidence in B20 and other higher blends has been driven by consumer research into the use of higher blends, such as the work undertaken by many councils like Camden Council, Newcastle City Council and Brisbane City Council. The position paper does not appear to recognise or reward any of this hard work done by the local government authorities but instead seems to be providing another hurdle to access fuel through the Section 13 approval process.

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<sup>1</sup> 'Biodiesel in Australia: Benefits, Issues and Opportunities for Local Government Uptake', ICLEI & Department of Sustainability & Environment Victoria, June 2007

- The OEM position is based on out-of-date information as many OEM's (e.g. Scania, Cummins, Caterpillar, John Deere, New Holland, Volvo, Mercedes, Peugeot, Renault and Citroen) now accept B20 (and in some cases B30 or B100) and the number is growing annually as more research is completed. Many fleet operators are now requiring that future OEM tenders for the supply of diesel vehicles and equipment include OEM support for the use of B20 or higher.
- Many of the OEM concerns listed in the Position Paper either apply mainly to B100 or are associated with poor quality biodiesel (and not biodiesel itself). These concerns are currently being easily addressed by quality assurance at production and existing B20 users are ensuring that fuel is fit-for-purpose from suppliers and that proper house-keeping procedures are in place for storage and dispensing.
- The complexity and uncertainty of the Section 13 Approval Process is likely to provide a disincentive and barrier to existing and future B20 commercial fleet consumers, local biodiesel producers and suppliers and smaller regional based biodiesel projects, such as the Bendigo Bank Community Enterprise Biodiesel Project (see Footnote 1 reference), for blends above 5%.
- It does not appear to fully recognise the real greenhouse and environmental and benefits of sustainable biodiesel as recognised by the Australian Greenhouse Office (AGO)<sup>2</sup> and CSIRO<sup>3</sup> nor the potential social and economic benefits provided by locally produced biodiesel from sustainable Australian feed-stocks.
- The 5% cap on biodiesel in the diesel fuel standard, without a higher blend standard, severely restricts the rights of consumers by limiting the opportunity to reduce their environmental and greenhouse impacts at potentially no additional or cheaper cost through the purchase of higher blend biodiesel fuels.
- The 5% cap on biodiesel in the diesel fuel standard, without a higher blend standard, will severely restrict and/or remove current trade opportunities for existing legitimate local biodiesel producers and suppliers, thus effectively forcing many to close down. This could effectively end or severely set-back the Australian biodiesel industry many years.
- The 5% cap on biodiesel in the diesel fuel standard, without a higher blend standard, is not consistent with the "avoid - reduce - offset" principal for greenhouse gas emissions mitigation, as it will severely restrict access to a cost effective AGO recognised renewable fuel.
- The 5% cap on biodiesel in the diesel fuel standard, without a higher blend standard, does not provide protection against unsustainable biodiesel feedstocks being used in Australia, and in fact it may increase the risk of unsustainable biodiesel being imported if the local industry is forced to close down.
- It potentially puts Australia at the back of the pack, not the front of the pack, with respect to the development of a sustainable biodiesel industry, especially if the local biodiesel industry closes down as a result of restricted market access.

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<sup>2</sup> The AGO NGA Factors 2008 Handbook quotes an emission factor of 1.3 kg CO<sub>2</sub> per litre for tallow biodiesel compared with 2.9 kg CO<sub>2</sub> per litre for diesel. This would mean a 11% reduction in GHG emissions for tallow based B20 compared with petroleum diesel.

<sup>3</sup> 'The Greenhouse and Air Quality Emissions of Biodiesel Blends in Australia', CSIRO, August 2007

## **Recommendations**

### 5% Cap on Diesel and a Simultaneous Higher Blend (at least 20%) Standard

Therefore, with respect to the Position Paper (BBPP) recommendation that a 5% biodiesel cap be included in the national diesel fuel standard, if this recommendation is to proceed, then in order to ensure continuity of supply for existing consumers and continuity of business to existing biodiesel producers:

- there needs to be a separate fuel standard for higher blends (at least 20%),
- this higher blend standard should be available at the same time that the 5% biodiesel cap on the diesel standard comes into effect, and
- the current diesel fuel tax credit (FTC) system should apply to the higher blend fuel (at least up to 20%).

The quality of most B20 diesel/biodiesel blends currently supplied in Australia meet (or exceed) vehicle operability and emission requirements and thus are in line with the objectives of the Fuel Quality Standards Act 2000.

It is also important that the diesel fuel standards are flexible to cope with the volatility in oil prices and accommodate changes due to developing trends and research in alternative fuels. At time of writing this submission crude oil had reached \$110 per barrel. A higher blend fuel standard will provide Australian fuel suppliers and consumers the flexibility to switch to higher biodiesel blends, such as B20, should this prove to be more economical as crude oil prices rise without the delay of going through the Section 13 approval process.

In addition, if all of the existing B20 users were made to apply for a Section 13 Approval, it is possible that DEWHA may not have the resources to deal with it and therefore may be creating an administrative nightmare in trying to process all the approvals that may be submitted.

### Labelling of Biodiesel Blends

I agree with recommendations regarding labelling. In fact, many customers, particularly commercial fleet operators, will want to know what the biodiesel feedstock is and what percentage is in the blend, in order to determine any greenhouse gas (GHG) reduction benefits they can claim.

Therefore, labelling should include the percentage of biodiesel blended with diesel (+/- 1%), the potential cold filter plug point and the percentage of GHG reduction compared to ULSD. In blends below 5% Biodiesel, the labelling is unnecessary, although commercial consumers may still want to know for GHG reduction.

### Extension to Consultation Period

It is also requested that the consultation period for the Position Paper be extended to allow full consultation with existing and potential B20 (and other higher blend) users. It will also provide an opportunity for an assessment of the latest information and research on higher blends and OEM position. There is a growing consumer confidence in the quality and performance of the existing blended fuels being produced. The blended fuels are proving to be fit-for-purpose in all applications when the diesel and biodiesel fuels meet their respective standards and the blend meets the diesel standard.

## Certification of Sustainable Feedstocks

One other area that needs to be addressed (and is arguably more important than the B5 versus B20 argument) is the sustainability of the different biodiesel feedstocks. There is growing consumer awareness and concern regarding some biodiesel feedstocks in Australia and overseas. Australia is fortunate as most local current (waste cooking oil and tallow) and next generation (mustard and algae) feedstocks are or will be sustainable feedstocks.

It is important that in order to ensure sustainable feedstocks are developed and used, a certification system for sustainable feedstocks should be developed and implemented. Consideration could even be given for sustainable feedstocks in the biodiesel standard. Such a system would also help eliminate the risk of unsustainable feedstocks being grown in Australia or imported (such as palm oil associated with deforestation).

A certification system would also provide greater consumer confidence and certainty regarding the sustainability and greenhouse benefits of biodiesel and should also provide great opportunities for Australia with the development and commercialisation of the next generation sustainable feedstocks, such as mustard seed and algae, that are expected to be commercially available in the next two to three years<sup>4</sup> (and possibly sooner).

Australia has an opportunity to be a leader in the development of sustainable biodiesel, but this requires a healthy local biodiesel industry. The suggestions and recommendations in this submission are intended to provide continuity to the existing biodiesel market and help preserve the millions of dollars of public and private investment that have already been invested in the biodiesel industry.

A healthy competitive local biodiesel industry also reduces the risk of an increase in the importation of unsustainable palm oil biodiesel, which may occur if there is no local biodiesel available as consumer demand grows.

I thank you for the opportunity to provide a response to Position Paper and would be happy to provide any additional information if requested.

Yours faithfully

Bryan Beudeker  
FrontFoot Environmental

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<sup>4</sup> Road Testing B20 and B100 in algae-based biodiesel in a Mercedes in San Francisco (February 2008)

[http://www.grainnet.com/articles/Mercedes\\_Algae\\_Solazyme\\_Road\\_Testing\\_Algae\\_based\\_Biodiesel\\_In\\_Mercedes-54315.html](http://www.grainnet.com/articles/Mercedes_Algae_Solazyme_Road_Testing_Algae_based_Biodiesel_In_Mercedes-54315.html)