



PARLIAMENT OF AUSTRALIA · THE SENATE

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Setting National Fuel Quality Standards Proposed Management of Diesel / Biodiesel Blends

Thank you for the opportunity to make a submission on the Setting National Fuel Quality Standards Proposed Management of Diesel / Biodiesel Blends.

The Australian Democrats recognise the need for change with respect to our transport fuels and transport technologies as a result of sustainability pressures, peak oil and climate change. The rise in fuel cost and global oil price - crude oil at well over \$100 a barrel in 2008 compared to \$35 in 2004 - translates to rising domestic fuel costs and household affordability pressures and debt levels. In order to have continued energy security, minimise the impact to our economy and reduce greenhouse emissions, we need to reduce our dependence on oil and switch to sustainable alternatives.

Australia must undertake as soon as possible, aggressive actions on both transport supply and demand. It must therefore develop all feasible options for producing alternative liquid fuels provided their greenhouse emissions are less than those of fossil fuels. To reduce demand, Australia should increase the fuel efficiency of the national fleet, increase expenditure on and availability and patronage of public transport, mass transit, rail and light rail infrastructure.

The Australian Democrats call on the government to make a clear policy statement in support of alternative fuels that is consistent with significant greenhouse emissions reduction targets for the transport sector, noting that the sector's emissions were 30 per cent higher in 2005 than in 1990 and with business as usual are projected to be 76 per cent higher than 1990 by 2020. Such policy statement must address barriers to entry to market and the creation of an investment environment for the development of the alternative fuels industry. Information and public awareness needs to be raised and based on well developed government policy. The expectations and vested interests of stakeholder groups such as the vehicle associations, manufacturers and fossil fuel industry need to be managed.

The approach proposed in the position paper effectively limits biodiesel use to a B5 biodiesel / diesel blend by subjecting higher biodiesel blends to approval through the lengthy and costly Section 13 Fuel Standards Consultative Committee approval process. This conservative and onerous approach is not consistent with a policy objective of shifting to more sustainable transport fuels and is not consistent with international standards and trends. It is consistent with appeasing the major oil companies who fear competition from renewable fuels as they exploit the increasingly expensive fossil fuel reserves that remain.

A more effective approach, which would support the policy objective of developing an alternative fuels market, would be to require the biodiesel component to meet the B100 standard and the resultant blend the Australian Standard for Automotive Diesel and only if the biodiesel blends fails to meet these standards be required to meet the Section 13 Fuel Standards Consultative Committee approval process.

The commercial environment for biodiesel manufacturers is marginal and is dependent on cost of feed stocks, retail margins, the price of competing products and taxes. It is understood that the average retail price of biodiesel is just over \$1.10 per litre yet imports, often palm oil based, can be brought in for several cents less. If the recommendations in the Position paper are accepted and there is no import protection, existing domestic manufacture of biodiesel production is likely to cease.

While import protection may not be the approach preferred there is a need for clear government policy to address sustainability and management of unintended policy consequences. The public perception and criticisms of biodiesel is that if the feed stocks are sourced from overseas sources of palm oil that the increased demand is driving unsustainable land clearing. There are also legitimate concerns that biofuels are increasingly competing with food crops. An introduction of sustainability criteria to ensure that feed stock for the production of biodiesel is ecologically sustainable would partially address this issue. The sustainability debate is complex and needs to be tackled rather than used as an excuse to do nothing.

A majority of biodiesel in Australia is already marketed, branded and sold as a B20 blend. The biodiesel industry has estimated that Australia could supply and sustain aB20 blend from abattoir feedstock and that the demand exists to support a mandated B20. The industry reports the demand for B20 is from commercial consumers (particularly councils, mining companies, and transport companies) who use B20 blends for greenhouse reduction and improved air quality benefits. A majority of these commercial consumers are signatories to the Australian Government's Greenhouse Challenge Program and are positioning themselves in preparation for emissions trading.

The biodiesel industry also reports that the International trends are for higher than B5 level biodiesel blends. The US is developing a new ASTM biodiesel standard to cover a range of biodiesel blends from 6% to 20%. Commercial engine manufacturers are providing increasing numbers of B20 and higher biodiesel blend compliant engines to the market place. Light duty diesel vehicle manufacturers such as Volkswagen support RME B100 in Europe for all vehicles built after 1996, but are inconsistently labelled for B5 only for the same vehicles in Australia.

The biodiesel industry wants to be able to produce and supply B100 and B20 as per demand and not be limited to B5 when there is no sound reason for such a constraint.

Signed:

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*Date: 14 March 2008
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Leader of the Australian Democrats*