

Response to the Department of Water, Heritage and Arts' Position Paper

January 2008

Re: Diesel/Biodiesel Blends
The **Biodiesel Station Pty. Ltd.**

IN SUMMARY

The Biodiesel Station Pty Ltd (TBS) is a Sydney-based distributor of Biodiesel and Ethanol, and sells only Biofuels. All of the Biodiesel blends sold by TBS exceed 5% Biodiesel. TBS emphasizes that B5, aside from a lubricity additive, is a waste of valuable resources (intellectual and energy).

DEWHA is proposing to restrict consumer access to blends exceeding B5, and TBS is opposed to this policy on the following grounds:

- a. It limits motorist's ability to reduce their CO2 footprint to a standard they consider appropriate.
- b. It will damage the industry at a time when Government should be promoting the renewable fuel industry rather than subsidizing the fossil fuel industry,
- c. It increases the potential of the major energy companies to inhibit the introduction of renewable fuels into the marketplace,
- d. It sends a message to consumers that, not unlike the absurd anti-ethanol campaign, will erroneously substantiate the OEM's misinformation that Biodiesel is a destructive fuel,
- e. It will diminish the domestic production of Biodiesel and enhance the opportunities for imported, and less sustainable Biodiesel,
- f. It contradicts reality by purportedly protecting consumers from an alternative fuel that hundreds of motorists have been happily using without complaint for many thousands of kilometers,
- g. It clearly panders to powerful interest groups, and ignores consumers,
- h. It sacrifices the courageous businesses that have struggled to create an Australian Biodiesel industry, and does so without verifiable cause.

The logic of the position paper is flawed, and TBS recommends that it makes far more sense to:

- 1) Simultaneously implement a fuel standard for blends exceeding 5% Biodiesel, or leave the current Diesel Standard the way it is,
- 2) Implement a labeling system that identifies "What is this Fuel",
- 3) Encourage the development of a self-regulated Biodiesel industry,
- 4) Enact consistent legislation designed for a global future rather than revisiting the outdated myths that have stunted the growth of a viable domestic industry,
- 5) Give Consumers and the Biodiesel industry a long-term Standard, and
- 6) Assist the Biodiesel industry in the same manner Government has assisted (and continues to assist) the fossil fuel industry.

In a world where fossil fuels have created unquantifiable damage to the planet and its people, it is irrational to inhibit the initiative of mainstream Australians to take the significantly more promising road of renewable and sustainable energy. It is extraordinarily difficult to understand how this agenda is created within the Department responsible for Air Quality and the Environment.



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THE ISSUES

The Biodiesel Station Pty Ltd (TBS) welcomes the opportunity to provide input to the **Department of Environment, Water, Heritage & Arts'** (DEWHA) Position Paper on *Proposed Management of Diesel/Biodiesel Blends* – January 2008. The paper illustrates DEWHA's commitment to the Nation's health, economics, and environment. The **Biodiesel Station** shares that commitment with DEWHA, and demonstrates its commitment in the delivery of sustainable, renewable, and environmentally enhancing Biodiesel products to consumers.

TBS agrees with DEWHA's twofold goals:

- 1) To regulate the quality of fuel supplied in Australia in order to:
 - a) Highlight a path for improved emission and pollution reduction,
 - b) Facilitate enhanced engine and emission technologies, and
 - c) Optimise vehicle operation.
- 2) Formulate labeling strategies that will engender consumer confidence.

TBS agrees that a healthy Biodiesel industry will contribute to:

- Enhanced Customer Confidence and Satisfaction
- Stimulating the Domestic Economy and Regional Development
- Improved Fuel Reliability and Quality
- Increased National Energy and Financial Security
- Superior Environmental and Health Performance in Transport Fuels

TBS disagrees that a 5% Biodiesel blend restriction is appropriate:

Unfortunately, DEWHA is working under the assumption that the adoption of an EN590-like specification was based on Fuel Quality. It was not, it was based on a host of issues related to mandates, farm subsidies, and environmental goals. To mimic EN590 on the basis of fuel quality is to ignore the mountain of data supporting blends exceeding B5, and succumb to pressure from special interests whose cross-hairs are trained on the heart of the Biodiesel industry. TBS is confident this is not the goal of the Position Paper



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THE DIVERGENCE

The Biodiesel Station is supportive of the position submitted by The Biofuels Association of Australia, but adds that DEWHA's Policies will inadvertently:

- 1) Deliver insignificant reductions on toxic pollution and GHG emissions,
- 2) Restrict the Consumer's choice to use less environmentally damaging fuels, (See the attached Petition signed by Customers of The Biodiesel Station),
- 3) Cement the Major Oil Company's dominance in developing the Biodiesel industry,
- 4) Contribute to a sharp decline in the production of Biodiesel in Australia, and potentially increase the importation of Biodiesel, some of which could be from unsustainable offshore sources.
- 5) Launch a clear signal to researchers and investors to look offshore for Biodiesel opportunities or identify domestic opportunities that are "more popular" with Australian Government policy,
- 6) Instill confidence in the OEM's position that the introduction of Biodiesel into the marketplace is far too risky until the OEM's have unanimously sanctioned it,
- 7) Have "0" impact on vehicle performance, when there is substantial evidence Bio-blends exceeding B5 do not affect vehicle performance, yet significantly reduce greenhouse emissions and tail-pipe pollutants (ICLEI Report –June 2007- Attached)
- 8) Impede The Biofuels Association of Australia's progress towards implementing an industry-wide fuel quality management program,
- 9) Contradict the intent of the Clean Fuels Energy Grant Scheme,
- 10) Encourage the penetration of off-spec Biodiesel into the marketplace,
- 11) Reduce Consumer Confidence in Biodiesel by replacing clearly labeled Biodiesel blends with an unlabelled B5 blend (why conceal it, unless there is a reason),
- 12) Highlight Australia's international incongruence by implementing policies that diminish, rather than enhance, the commercialisation of Biodiesel blends,
- 13) Conflict with the Nation's election mandate to increase the prominence of the domestic and renewable energy sectors.
- 14) Unnecessarily penalise small wholesale and retail businesses that are currently selling quality Biodiesel blends.

Many have said that this Position Paper throws the baby out with the bathwater, TBS asserts; it is much worse.

The bathwater shouldn't be thrown-out, much less the baby.



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THE RECOMMENDATIONS

However, TBS is not of the belief that these outcomes were the objectives of DEWHA, and suggests that it is quite the opposite. In support of DEWHA's published goals, TBS joins the Biofuels Association of Australia in recommending the following:

1. Support the New Diesel Standard

It is highly questionable whether altering the current diesel standard is necessary. However, TBS supports DEWHA's alignment of the Diesel Standard with the EU EN590, but only with simultaneous implementation of a standard for blends beyond B5.

TBS supports DEWHA position on the basis that greater international harmonization of standards is a worthwhile goal. A recent EU Policy Paper cites increased synchronization as; "Standards and technical harmonisation can help speed-up the uptake of environmental technologies and liberalise trade in rapidly-growing markets".

More to the point, the German Car Manufacturers Association (VDA) has confirmed that German car manufacturers, including Daimler Chrysler and VW are in favor of increasing from 5% to 10% the maximum blending of FAME in EN 590 diesel. Why clone EN590 when it is likely to be redefined in the short-term?

2. Support the Simultaneous Introduction of a new Bio-blend Standard for Blends exceeding B5 (Premium Diesel).

DEWHA is aware that the EU, USA, and other international entities are engaged in the development of a Standard for Bio-blends exceeding B5; TBS supports DEWHA's move to enhance their international standard harmonization by adopting a Biodiesel/Diesel Bio-blends Standard for fuels exceeding 5% Biodiesel. The Standard would incorporate the relevant specifications contained in the current diesel standard, but add filter blocking, CFPP, acidity, free glycerin, and perhaps more (based on discussions between DEWHA and both domestic and international stakeholders). Simultaneous introduction of the amended Diesel Standard with a new Bio-blend "Premium Diesel" Standard will guarantee the Biofuels Association of Australia has implemented the policies and procedures to minimize any reductions in demand, and thereby ensure a seamless transition from today's standards to tomorrow's enduring standards. **TBS DOES NOT SUPPORT THE INTRODUCTION OF THE B-5 DIESEL STANDARD WITHOUT THE SIMULTANEOUS IMPLIMENTATION OF THE PREMIUM DIESEL STANDARD FOR BLENDS EXCEEDING 5% BIODIESEL.**

3. Support the Retail and Wholesale Marketing of Premium Diesel Blend

Some OEM's will not support a Premium Diesel Standard. However, to prepare for the future, it is fundamental to recognize that pressure from Customers will dictate OEM policies, not the fuel industry, nor DEWHA. Customers have the choice to either ignore the OEM's recommendations or purchase vehicles that are compatible with Bio-blends exceeding B5, and the number of these OEM's (e.g. Scania, Volvo, Mercedes, Cummins, Caterpillar, John Deere, New Holland, Peugeot, Citroen, Renault) is increasing rapidly. If "**Let the Market Dictate**", is a good enough rationalisation to stem the introduction of mandates, it is sufficient to stop the legislation of blend restrictions.



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THE RECOMMENDATIONS (cont.)

4. Support the implementation of an Industry-wide Quality Management and Premium Diesel Licensing Program.

BAA members, both ethanol and Biodiesel, will benefit from a Quality Management and Licensing (QM&L) program, and adherence to the program will be necessary to obtain the license for distribution of Premium Diesel. This strategy ensures a continued and healthy working relationship between DEWHA, BAA, Consumers and stakeholders. In regards to accountability, the BAA becomes accountable to DEWHA and the BAA membership accountable to the industry; a near perfect marriage.

A section 13 waiver does not constitute a verification of a product's quality. Additionally, the section 13 waiver represents another layer of administration that is unnecessarily clumsy, burdensome and difficult to enforce. An industry-wide quality management program will resolve these flaws, offer consumers a branding they can rely upon, and curtail the introduction of sub-standard products into the marketplace. This is what the Nation needs.

5. Support Labeling of Bio-blends Exceeding B5

Customers have a right to know what they are buying, and labeling of Biodiesel/Diesel Blends is good for the Consumer and the Merchant. Consumers should know the approximate percentage of Biodiesel blended with diesel, the potential Cold Filter Plug Point, the percentage of GHG reduction compared to ULSD.

In Bio-blends of 5% or below, the labeling is unnecessary. However, unscrupulous retailers could use a 1% Biodiesel blend to mislead consumers into thinking they are buying an environmentally friendly fuel. Retailers should be restricted from describing their less than 5% Bio-blend as an environmental fuel. This is clearly an example of "Green-Washing" a product, and consumers should be protected from the misleading application of words like "Eco, Enviro, Green, and Bio" when used to highlight products which offer insignificant or no environmental benefits.



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THE OUTCOMES

These recommendations will:

- Enhance the viability of the Biodiesel industry,
- Increased consumer confidence,
- Promote consistency in fuel quality,
- Produce enforceable quality management criteria, and
- Expedite the implementation of a verifiable GHG and toxic emission reduction strategies.

By preserving the health of Australia's Biodiesel industry, DEWHA is helping to secure the hundreds of millions of dollars in public and private investment that are currently captured within the industry. A healthy domestic Biodiesel industry is essential if the consumer is to have any protection from the potential importation of off-spec or unsustainable offshore Biodiesel.

These recommendations distinguish Australia as a Nation pursuing the development of greater sustainability in feedstocks, enhanced GHG reductions, and a thriving regional economy, all of which could be a reality within the next 3 to 5 years. It will be that characterisation that exemplifies Australia's allegiance to the global community's effort to support a planet with diminishing resources. Australia can, and should, be an international leader in the development of fuel quality standards, alternative fuels and domestic energy programs.

DEWHA has received sufficient input to understand both the damage and the benefits these policies choices can have on the Biodiesel industry and the Nation's future. It is seldom that an incremental change can have such a significant impact on the environmental, economic and energy goals of a nation, but that is the challenge faced by DEWHA.

It is DEWHA's responsibility to enhance Australia's environment and air quality that engenders TBS's confidence in the outcome; an outcome that could launch a win-win Biodiesel/Diesel blend policy for Australia. The Biodiesel Station and the Biofuels Association of Australia are grateful for DEWHA's perseverance in bringing these issues to the forefront, and we are confident that our concerns will be addressed.

Sincerely,



Morris Lyda
Managing Director,

