



Department of Consumer
and Employment Protection
Government of Western Australia

Consumer Protection

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Diesel/Biodiesel Blends – Discussion Paper
Fuel and Used Oil Policy Section
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Dear Sir/Madam,

COMMENTS ON DEH DISCUSSION PAPER *STANDARDISING DIESEL/BIODIESEL BLENDS*

I am writing in response to an email sent to Sophie Leadbeater at the Petroleum Products Pricing Unit on 10 November 2006, requesting comments in relation to the Discussion Paper *Standardising Diesel/Biodiesel Blends* released by your Department. I appreciate you giving the Department of Consumer and Employment Protection (Consumer Protection) the opportunity to comment on the options canvassed in the Paper. I have provided feedback on each of the options, in my capacity as Commissioner for Consumer Protection.

As a general comment, Consumer Protection supports the standardisation of diesel/biodiesel blends at a national level. One issue that WA consumers have raised as a matter of concern in regards to biofuels is fuel quality. Some consumers have reservations about the quality of biofuels, believing that the standard of the product may not be as high as it should be. High quality standards, and strict enforcement of these standards, are required in order to provide assurance to the public that rigorous fuel quality standards are maintained. Surveys conducted by, and on behalf of, Consumer Protection reveal that one of the main concerns WA motorists have about using biofuels and biofuel blends is the fear of possible damage to their vehicle. The introduction of national fuel quality standards for biofuels and biofuel-blended fuels, accompanied by regular testing to ensure compliance with those standards, should allay those concerns, as consumers will be assured that there are tried and tested quality standards in place. The development of national fuel quality standards would provide lead to greater consumer certainty and confidence in these fuels. This may also result in more companies deciding to sell biodiesel blends thereby increasing choice and competition for those fuels at the wholesale and retail levels of the market, which may in turn lead to lower prices.

Consumer Protection notes that a significant number of vehicle manufacturers in Australia currently refuse to endorse the use of biodiesel-blended fuels in their vehicles and state that use of these fuels will void the vehicle warranty. The question of warranties was the issue most frequently raised by consumers who responded to a survey from Consumer Protection's FuelWatch service, which included questions about biofuels. The vast majority of respondents who said they would not use biofuel blends cited the reason for not doing so was that their vehicle manufacturer refused to cover its use under their warranty. Without fuel quality standards for diesel/biodiesel blends, and testing to ensure compliance with those standards, vehicle manufacturers are reluctant to endorse the use of these fuels which acts as a disincentive for fuel wholesale and retail companies to sell these fuels and for consumers to use these fuels.

Another issue that is closely related to the development of fuel quality standards for biofuels and biofuel blends, which has been raised by WA consumers, is the need for further testing to be undertaken to determine the impact of biofuel use on any vehicle type currently used in Australia (referred to as the "vehicle fleet" in the discussion paper). This is particularly important for biodiesel and biodiesel blends, as it is my understanding that only limited research has so far been carried out in Australia on these fuels. I understand that the Federal Government is currently carrying out further testing of E5 and E10 blends on vehicles in the Australian fleet. It would be beneficial if the Federal Government also conducted testing of the effects of biodiesel blends, as this would provide certainty to consumers by presenting them with accurate information based on proven results across all automotive vehicle types used in Australia. Further testing of the effects of biodiesel blends on engines and vehicles, as well as vehicle operability, may also allay the concerns of vehicle and engine manufacturers who currently refuse to endorse the use of these fuels.

Please find below my comments specifically relating to the management options presented in the DEH Discussion Paper.

Options Relating to B5

Option 1 – B5 Limit

Option 1 is to amend the existing diesel fuel quality standard (*Fuel Standard (Automotive Diesel) Determination 2001*) to allow for up to 5% by volume of biodiesel, subject to the biodiesel component meeting the B100 standard and the resulting blend fully complying with the amended diesel standard. This option on its own would effectively cap permitted biodiesel blends at 5% (B5).

Option 2 – B5 Limit with Density Waiver

Option 2 is the same as Option 1, except that the blend is not required to meet the diesel standard for density. The inclusion of a density waiver in the diesel standard would allow for the use of a larger variety of biodiesel feedstocks, which typically have a higher density than mineral diesel.

Management Options 1 and 2:

- *Should biodiesel blends be capped at B5 and meet the diesel standard?*
- *Should flexibility be allowed for density (or any other quality parameter)?*
- *Is Option 1 or Option 2 your preferred management option?*

Comments

Whilst a number of Original Equipment Manufacturers (OEMs) in the Australian market already accept the use of blends of up to B5 in diesel vehicles, a fairly sizable number do not. Amending the diesel standard to enable diesel to contain up to 5% biodiesel may encourage other OEMs to accept their use, thereby increasing choice for consumers.

In the European Union, the diesel standard, including the density parameters, also applies to blends containing biodiesel of up to 5% volume (blends up to B5).

Consumer Protection's Position

Either of these management options in isolation would effectively cap the allowable content by volume of biodiesel in diesel/biodiesel blends at 5%, regardless of whether or not a higher blend is able to meet the diesel standard specifications. This would have a negative impact on the development of the local biofuels industry and would restrict current retail practices. In WA for example, Gull Petroleum (Gull) currently retails a 20% biodiesel blend (B20) at approximately 30 of its sites, around half its sites in WA. Gull has reported strong interest in, and uptake of B20 by consumers, and as a result has stopped selling mineral diesel at the majority of its sites that sell the B20 blend. Consumer Protection's FuelWatch service has received a significant number of enquiries from consumers interested in using biodiesel blends, and the number of users subscribing to receive B20 prices is continually growing. Recent FuelWatch surveys have shown there is significant interest among consumers in biodiesel blends higher than 5%. Consumer Protection has not received any complaints about the quality of B20 in WA to date, so I see no reason why the availability of this fuel, and consumer choice, should be restricted. Instead of restricting the sale of B20, I would instead support the development of a fuel quality standard for that blend (this is dealt with in more detail under the B20 options).

Therefore Consumer Protection would not support either of these options in isolation without consideration of fuel quality standards for higher blends. Subject to further testing being carried out on vehicles within the Australian fleet, Consumer Protection would support the amendment of the diesel standard to allow for up to 5% by volume of biodiesel provided that the resultant blend complied with the diesel standard, as one of a suite of measures that also allowed for the sale of higher blends. With regard to Option 2, it has been reported that some feedstocks (such as tallow) have significantly higher densities, which may negatively impact on engine wear particularly in high-use heavy vehicles that are sensitive to these changes. Consumer Protection would obviously not support the introduction of a fuel quality standard that may result in damage to vehicles or engines. Consumer Protection would therefore

support a density waiver only if testing proved there would be no negative impact on vehicles or engines, and if vehicle warranties would be unaffected.

Options Relating to B20

Option 3 - B20 limit with a strict B20 standard

Option 3 is to cap the volume of biodiesel in diesel/biodiesel blends at 20% and develop a comprehensive, strict B20 fuel quality standard. The diesel and biodiesel components would be required to meet their respective standards, and the blend would be required to meet a strict B20 fuel quality standard. Extensive post-blending testing would be required.

Option 4 – B20 limit with a simplified B20 standard

Option 4 is a variation on Option 3, with a simplified B20 standard and less extensive post-blending testing.

Management Options 3 and 4

- *Should a full B20 fuel quality standard be developed as outlined in Option 3?*
- *If so, which parameters should be included?*
- *Should a simplified B20 standard be developed as outlined in Option 4?*
- *If so, which parameters should be included?*

Comments

One issue that WA consumers have raised as a matter of concern in regards to biofuels is fuel quality. Some consumers have reservations about the quality of biofuels, believing that the standard of the product may not be as high as it should be. High quality standards, and strict enforcement of these standards, would provide assurance to the public that fuel quality standards are being maintained. One of the main concerns WA motorists have about using biofuels and biofuel blends is the fear of possible damage to their vehicle. The development of a national fuel quality standard for diesel/biodiesel blends up to 20% by volume, accompanied by regular testing to ensure compliance with those standards, would provide certainty to the market and would lead to greater consumer confidence in these fuels. It may also result in increased choice and competition at the wholesale and retail levels of the market for those fuels, which may in turn lead to lower prices.

Consumer Protection notes that most vehicle manufacturers in Australia currently refuse to endorse the use of B20 blends in their vehicles and state that its use will void the vehicle warranty. As a result, any damage caused when using these fuels is not covered under the majority of car warranties. The vast majority of vehicle manufacturers in Australia currently refuse to endorse the use of diesel/biodiesel blends higher than B5. It is my understanding that at this stage only Peugeot, which supports biodiesel blends of up to B30 in its HDi range (but not in other diesel models), and Citroen are willing to endorse the use of biodiesel blends higher than B5 in Australia. Extensive testing and the establishment of a fuel quality standard for diesel/biodiesel blends up to B20, as well as testing to ensure compliance with

those standards, should encourage a greater number of vehicle manufacturers to endorse use of these fuels, thereby increasing choice for consumers and providing assurance that use of the fuel is covered under their warranty.

The Discussion Paper states that extensive testing of the diesel and biodiesel feedstocks followed by testing of the resultant blend would increase the costs of testing and compliance, which may be passed on to the consumer. However, as standards are already in place for diesel and biodiesel, additional costs should only arise from the testing of the resultant blend. Testing fuel is a necessary requirement to ensure compliance with the fuel quality standards, which is already undertaken for other fuels.

The Duncan Seddon and Associates Pty Ltd report states that testing of B20 should be conducted at the retail pump to address concerns with contamination and deterioration in transport and storage. This would be impractical at most retail sites.

Consumer Protection's Position

Consumer Protection supports the introduction of a national fuel quality standard for diesel/biodiesel blends up to B20. The Discussion Paper stated that a B20 standard may restrict the types of biodiesel that could be used in the blend, depending on the parameters and values chosen. Consumer Protection supports the development of a fuel quality standard that allows a large range of biodiesel feedstocks to be used, provided that the standard is sufficiently rigorous to ensure consumers will not experience any problems with their vehicles or engines as a result of using these fuels.

Option 4 would therefore be Consumer Protection's preferred management option. This option should lead to increased consumer and industry acceptance of B20, whilst also protecting consumers and retailers from excessive cost burdens resulting from increased testing standards. Additionally, the flexibility of the standard should provide opportunities for a competitive range of feedstocks both domestically and internationally, which should result in increased competition and therefore potentially lower prices for consumers. Consumer Protection would not support any action that restricts competitive opportunities in the production, wholesale or retail of diesel/biodiesel blends, unless the restriction is necessary to ensure fuel quality and/or prevent damage to vehicles or engines.

Consumer Protection is not in a position to comment specifically on the technical parameters that should be developed for the blended fuels.

Additional Questions on B5 and B20

Other fuel quality management options for biodiesel blends

- *Should a 'B5 only' cap be adopted or should both B20 and B5 blends be permitted?*
- *Are there other management options that should be considered?*

Consumer Protection does not support the introduction of a B5 only cap, and strongly believes both B5 and B20 blends should be permitted. Consumer Protection supports the

availability of choice for the consumer, and capping blends at 5% is considered overly restrictive given a 20% blend is current available in WA. As discussed earlier, Gull Petroleum (Gull) currently retails a B20 blend at approximately 30 of its sites in WA and has reported an increasing uptake in use of the B20 blend by consumers. The number of email subscribers requesting B20 prices from Consumer Protection's FuelWatch service is also continually growing. Recent FuelWatch surveys conducted have shown there is significant interest among consumers in biodiesel blends higher than B5. Consumer Protection has not received any complaints about the quality of B20 in WA to date, so I see no reason why the availability of this fuel, and consumer choice, should be restricted. Consumer Protection therefore supports the development of national fuel quality standards for both B5 and B20 blends.

Labelling

There is currently no mandatory labelling requirement for biodiesel blends in Australia. The Discussion Paper raised the issue that the current practice of marketing a range of diesel/biodiesel blended fuels without mandatory labelling requirements could lead to serious consumer protection issues. Consumer Protection concurs with this view. The Federal Government Biofuels Taskforce acknowledged the importance of making information available to assist consumers in making appropriate fuel choices. This is particularly important in the current marketplace as some OEMs in Australia currently refuse to endorse the use of any biodiesel blends in their vehicles. Consumers need to be aware that using these fuels may void their warranty.

B5 Label

Labelling requirements for B5

- *Should B5 blends be labelled?*
- *If so, is a statement that the fuel "contains 5% biodiesel" or "up to 5% biodiesel" sufficient?*

Consumer Protection's opinion on the labelling of B5 blends depends largely on the stance of the OEMs. Whilst some OEMs in Australia refuse to endorse the use of B5 in their vehicles, consumers need to be made aware if a fuel contains biodiesel, as using that fuel may void their vehicle warranty. The labelling of B5 blends would enable consumers to make informed fuel purchasing decisions. Until all the OEMs agree to accept the use of B5 blends in their vehicles, it is Consumer Protection's position that B5 blends should be labelled with a warning that advises motorists to check with their vehicle manufacturer whether B5 can be used in their vehicle. However, if all OEMs agree to accept the use of B5 in their vehicles, Consumer Protection would support a simplified label that states that the fuel contains "up to 5% biodiesel."

However, if the decision is made to amend the diesel standard to allow it to contain up to 5% biodiesel, and tests prove that use of the fuel does not cause damage to vehicles or engines, then Consumer Protection would support the view that labelling was not required in this instance.

B20 Label

Labelling requirements for higher blends of diesel and biodiesel

- *Should higher blends and neat biodiesel (B100) be labelled?*
- *If so, is statement of the biodiesel content (eg "this fuel contains 20% vol biodiesel") sufficient?*
- *Is additional information required?*
- *If so, what information should be included on a label for higher blends of biodiesel?*

The Federal Government Biofuels Taskforce concluded that the labelling of higher biodiesel blends (greater than B5) was a necessary piece of consumer information. The Taskforce acknowledged the importance of making information available to assist consumers make appropriate fuel choices. With the current marketing of B20 blends in WA and the lack of support for these blends from the majority of OEMs in the Australian market, Consumer Protection strongly supports this view. It is Consumer Protection's position that blends up to B20 should be labelled with a warning that advises motorists to check with their vehicle manufacturer whether the fuel can be used in their vehicle.

Users of B100 will be aware they are purchasing neat biodiesel. As B100 is not currently available for general sale, Consumer Protection does not believe there is a need to label this fuel at this point.

Thank you again for the opportunity to respond to the Discussion Paper. I look forward to receiving the Government position paper when it is released.

Yours sincerely



Patrick Walker
**COMMISSIONER FOR
CONSUMER PROTECTION**