



# Consultation Report

## Biofuel Mandate

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## Background

The Queensland Government is committed to the introduction of a bio-based petrol mandate (that includes fuels such as ethanol) and a bio-based diesel mandate from 1 July 2016 to help the transition to a clean energy economy and support the further development of a high-tech bio-manufacturing industry.

The Government will introduce the *Liquid Fuel Supply (Ethanol and Other Biofuels Mandate) Amendment Bill 2015*, which prescribes a phase-in of bio-based petrol-blended fuel, commencing with a mandated level of two per cent of the total volume of regular unleaded petrol (RULP) and bio-based petrol (such as E10) fuel sold in Queensland.

A similar approach will be taken for the bio-based diesel-blended fuels, with the mandate commencing at 0.5 per cent of the total volume of diesel sold in Queensland.

In early June 2015 the Government released a discussion paper—*Towards a clean energy economy: achieving a biofuel mandate for Queensland*, and commenced a thorough consultation process with industry and the public.

Thorough consultation has been undertaken with industry stakeholders, interest groups and consumers through a variety of activities including:

- discussion paper and formal submission process
- industry workshops
- public forums
- targeted meetings with industry stakeholders.

## Discussion paper and formal submission process

A discussion paper was released on 4 June 2015 and was available on the Department of Energy and Water Supply website. Submissions were sought from industry and community members. A dedicated biofuels email address was created to receive submissions. Submissions could also be sent by mail.

Submissions closed at 5pm on Friday 3 July 2015. At closing, 88 submissions were received from a diverse range of stakeholders including major oil companies, individual community members, fuel wholesalers and retailers, canefarmers, tertiary institutions, the meat and livestock industry, biofuel refineries and proponents, the motor industry, non-road engine producers and peak agricultural bodies. A number of late submissions were received, accepted and have been incorporated into government's consideration of issues, however, may not be included in the official count.

A breakdown of submissions received by stakeholder categories is provided below:

Stakeholder category	Submissions received
Associated provider	5
Consultant	2
Consumer body	2
Ethanol/bio-based diesel producer (current or potential)	18
Feedstock consumer	4
Feedstock provider	5
Fuel retail	1
Fuel wholesale	1
Fuel wholesale and retail	3
Individual	28
Peak body	8
Research	4
Industrial consumer	7

## Key themes

### Initial level of ethanol mandate

For those who support a mandate, views on the initial level of the ethanol mandate were split roughly equally between those who support the proposed two per cent target and those who support an initial target of four per cent or higher. The former group were generally comprised of consumer groups, including the RACQ, and some biofuel producers. The latter were generally biofuel producers, feedstock providers and some individuals. A smaller group of biofuel producers and feedstock providers preferred a three per cent initial target. Fuel retailers and wholesalers indicated their general opposition to a mandate. Some stakeholders suggested the mandate be expanded to include other types of bio-based/renewable petrol rather than limiting the mandate to ethanol.

### Future increases to the ethanol mandate

While fuel retailers and wholesalers opposed future increases, most current and potential biofuel producers, feedstock providers and individuals supported a significant increase to the mandate of above five per cent. The RACQ supported an increase to three per cent in 2020, while the Motor Trades Association of Queensland (MTAQ) and the Australasian Convenience and Petroleum Marketers Association (ACAPMA) supported a review before any future increase occurs. Some

feedback suggested that future increases should be linked to the ability of Queensland's vehicle fleet to use ethanol blended fuel, while others recommended the increase be contingent on feedstock availability and production capacity.

### **Initial level of a bio-based diesel mandate**

Most of the responses supported the introduction of a bio-based diesel mandate with varying percentages of up to five per cent. Given that bio-based diesel can be blended with regular mineral diesel at quantities of up to five per cent without having to label the content at the bowser, most respondents to this question saw limited barriers to introducing a bio-based diesel mandate in Queensland. However, rather than limiting the mandate only to bio-based diesel, a number of stakeholders recommended that the mandate expand to include other types of renewable diesel which use different production methods to those used to produce bio-based diesel. Mobil and Caltex opposed a bio-based diesel mandate.

### **Future increases to the bio-based diesel mandate**

Feedback in relation to when the percentage mandate for bio-based diesel should increase was limited, with only seven respondents putting forward a view. Due to the complicated nature of this issue it is proposed that this issue be considered by the Implementation Advisory Group for advice to the Government.

### **End of mandate**

Of those respondents that supported a mandate, the majority would like to see it operate for more than 20 years to help provide certainty to the industry. Several potential new biofuel producers argued that the mandate was required for as long as global fossil fuel companies control the fuel supply chain, while others suggested that the mandate would need to be in place until biofuels could be produced more cheaply than fossil fuels. The RACQ recommended that a mandate will no longer be required when all new petrol vehicles are E10 compatible, and very few non-E10 compatible vehicles remain in the fleet. Once this occurs, RACQ noted that it may be appropriate for E10 to replace RULP as the base fuel.

### **Definition of liable parties**

Petrol wholesalers tended to recommend that retailers only should be responsible for meeting the ethanol mandate as they were responsible for marketing and selling the fuel from their service stations. Wholesalers argued that they had no control over what grades and volumes of fuel retailers bought from them and should therefore be excluded from having to meet the mandate. In general, stakeholders seeking to benefit from an ethanol mandate supported an approach that would see all retailers having to comply with the mandate. Most stakeholders suggested that retailers should be exempt if their annual fuel volume sales were less than a specific threshold—for example, less than 70,000 litres per month, or 840,000L per annum. ACAPMA argued that all service stations selling 4,000,000L per annum should be exempt.

Ecotech Bio-based diesel argued that the liability should rest with the wholesaler rather than the retailer for the bio-based diesel mandate. Approximately 80 per cent of diesel fuel in Queensland is sold direct from the wholesaler to end customers such as mining, agricultural and transport companies. In addition, as bio-based diesel does not need to be labelled at quantities under five per cent, retailers do not need to take special measures to market the fuel at the bowser and can sell bio-based diesel blended fuel as diesel.



## **Penalties**

The majority of respondents supported penalties, however views differed regarding the extent of the penalties and how they should be applied. ACAPMA opposed penalties. Some suggested that the size of the penalty should be relative to the size of the business while others suggested that rather than applying a penalty based on a fixed rate, it should be scaled up based on the volume of fuel that retailers or wholesalers failed to sell relative to the mandate.

## **Expert panel**

Most responses (28 out of 30 responses to this question) supported the formation of an expert panel with this view shared across all stakeholder groups. Caltex recommended that the Government should form an expert panel and an informal advisory body. However, Wilmar argued that the exemption framework should be tightened and clearly defined in which case an expert panel may not be needed.

## **Sustainability principles and environmental issues**

Most stakeholders supported the development of sustainability criteria with some pointing to existing frameworks such as the internationally recognised 'Bonsucro' standard, or the Queensland Government sponsored Smartcane BMP (best management practice) as a primary vehicle for stakeholder endorsed sustainable sugarcane farming.

Fuel wholesalers and retailers noted that any sustainability certification required under the ethanol or bio-based diesel mandates would have to be the responsibility of the biofuel producer, so that wholesalers and retailers can rely on this certification legally.

## **Maintaining consumer choice**

Fuel wholesalers, retailers and the RACQ argued that the mandate should not be set so high as to lead to a lack of choice of RULP at the bowser. On the other hand there were stakeholders that argued that E10 should be made more available at more service stations to increase the choice of fuel available to motorists. This included making higher blends such as E85 available to motorists.

## **Consumer protection and pricing**

Thirty six respondents (approximately 41 per cent) to the discussion paper provided some comment on consumer protection issues and pricing.

The general consensus was that whilst consumers retain a choice to purchase the fuel that they wish to use, the market will determine a fair price for bio-based fuels (such as E10). The consensus view was that price regulation should not be adopted.

A low mandate of around two per cent will not result in any significant consumer protection issues. Consumer protection issues will need to be considered as a part of any process to increase the mandate.

Some concerns were raised about the highly concentrated markets for ethanol and bio-based diesel supply in Queensland, particularly as import competition has been removed by tax settings. These might become an issue at higher mandated percentages and if consumer choice was removed.

As a result of public consultation and the industry workshops a number of strategies have been identified that will assist in addressing any potential consumer protection issues associated with future increases—such as a cap and trade system, benchmark pricing, and the possibility of a system to provide retailer exemptions if producer prices exceed energy parity with petrol and diesel prices.



## Reporting requirements

There was broad support for liable parties to report so that their performance could be tracked against the mandate, and to gather information on the state's fuel supply infrastructure including the different grades sold and their volumes.

However, some stakeholders had differing views regarding the type and frequency of information to be reported. A major petrol refiner/wholesaler/retailer (RWR) noted that the NSW mandate has suffered from not having adequate data in terms of site numbers, volumes and grades of fuel provided at retail sites. This RWR supported requiring retailers to complete annual on-line forms detailing this information, and where an exemption was allowed, the exemption should be for a period of 12 months during which they would not need to report again. Retailers that were required to comply should have to report quarterly.

Annual reporting was supported by Caltex for similar reasons, as was the suggestion to exempt a retailer from reporting for a period of 12 months if they were not required to comply with the mandate. However, while Caltex did not support quarterly reporting, it did suggest that retailers should detail in their annual reports the reasonable efforts they undertook to comply along with future plans to increase compliance where necessary. Dalby Bio-refinery Limited supports monthly reporting.

The TfA Project Group suggested also gathering information on the storage capacity of E10 at fuel facilities, the total number of dispenser hoses and the number configured for E10 to better understand how well customers could access E10. The Alliance Against Ethanol Mandates recommended gathering data on the number of sites that sell both E10 and RULP to better understand whether service stations were removing RULP and therefore choice for customers. Several stakeholders including the RACQ recommended making data available to industry, academia and other interested parties provided the data was suitably de-identified and aggregated.

## Impact of changes to Australian Government fuel excise and grant program

Most biofuels producers and feedstock providers were concerned that these changes would have a negative impact on the competitiveness of domestic production of biofuels or of biofuels relative to other fuel types. However, some biofuels proponents felt that the impact would be limited and that the industry should take advantage while the excise for ethanol remains low.

Major oil companies generally argued that excise treatment for domestic and imported sources of fuel should be neutral. Some biofuels producers and feedstock providers argued that the settings should do more to favour domestic fuel sources over imports. One submitter, Downer Group, argued that this could be achieved through the sustainability criteria, rather than excise arrangements. However, this assumes that imported fuels would have a lower environmental performance than local fuels which may not be the case.





## Other comments

There were several submissions that highlighted that for these mandates to succeed, bipartisan political support is needed. Without this support there is concern among some stakeholders that the biofuels industry will not have the certainty they require to build the industry, and future bio-manufacturing opportunities will not eventuate.

The petrol industry also submitted that financial assistance should be made available to help with the costs of preparing service stations and other sites for the conversion to biofuels.

## Industry workshops


Three industry workshops were held during June 2015. Each workshop addressed different issues. Specific stakeholders were invited to individual industry workshops, with stakeholders able to nominate up to two attendees per workshop. Attendance was by invitation only.

- Industry workshop 1. The first industry workshop examined how a mandate might operate and environmental certification.
- Industry workshop 2. The second industry workshop examined consumer education campaigns and methods to improve the consumer use of ethanol blended fuel.
- Industry workshop 3. The third industry workshop examined biofuel and bio-industry development.

## Key themes

### Industry workshop 1

- Compliance for the mandate should fall with all parties in the fuel supply chain.
- Mandate should be applicable to all service stations then individual parties exempted based on known exemption criteria.
- Volumetric threshold is most workable and equitable method to determine initial liability under the mandate.
- Objectives of the Act should be clear – could consider regional development, cleaner fuels, energy security. The Act should also provide certainty about the Government's intent for the industry.
- Bio-based diesel should be mandated from 1 July 2016. Consensus of 0.5 per cent due to current capacity.
- Reliable data is required to establish current state of fuel market. The Government needs to require at least six months of data before parties are liable for penalties and should cover all parties operating (not just those liable).
- Group view was that there are sufficient consumer protections due to availability of choice and role of ACCC in price monitoring and competition.

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- There is a need for an expert panel to provide quality advice to the Minister. The expertise lies within industry.
  - Environmental certification needs to be based on a flexible structure that allows liable parties to utilise a number of acceptable certification models.

## **Industry workshop 2**

- Reliable consumer data is required to develop an effective education and awareness campaign. There is a need for all parties to share this data to ensure an awareness campaign is broad ranging and involves all of the industry. The Government may need to source independent data to supplement.
- Needs effectively utilised social media and targeted learning material (e.g. for TAFE).
- A campaign needs to come from a trusted advisor that consumers will listen to—need to identify who this is.
- Messaging needs to provide clear and strong support for the policy objectives.
- There needs to be bi-partisan support for the objectives of the Act.
- Separate campaign for E10 vs Bio-based diesel.
- Government role to facilitate and coordinate the education campaign. However a facilitation group of industry would be appropriate to provide advice.
- Industry assistance might be required.

## **Industry workshop 3**

- Queensland is well placed to realise the potential of the opportunity to participate in the global development of biofuels. Queensland has a comparative advantage because it has high quality biomass in the right locations at the right scale. Queensland also has research and development capability within its universities.
- To be effective a whole of Government approach is required.
- Priority areas include establishment of industry forum for industry development issues and coordination of research and development support for industry.
- To be successful a long term vision for the industry is required. Planning should cover a 20 year investment horizon.
- Policy certainty is critical for industry development. This includes bipartisan support for policy objectives, working with all levels of Government and industry co-ordination.
- The policy will be effective for regional and rural industry development.

## Public forums

Throughout June, a series of community forums were held in Dalby, Bundaberg, Mareeba, Townsville, Ingham, Ayr, Mackay, Brisbane and Innisfail. The forums provided an opportunity for members of the public to learn about the proposed mandate and share their ideas on how to grow the biofuel and bio-manufacturing industries.

The forums were attended by industry representatives for biofuels, refineries, farming sector including lot feeders, grain growers, dairy and cane farmers, sugar mills, universities, environmental consultants and the broader community.

The forums engaged with stakeholders to provide information and to receive feedback to guide development of a biofuel mandate. The forum discussion focused on four key areas:

- the mandate, what it means and the appropriate level
- consumer choice
- consumer education campaign, what is needed
- industry opportunity.

Across the nine public forum locations, almost 300 people attended to learn about the Government's proposed biofuel mandate and to share their views.

Location	Date	Approximate no. of attendees
Dalby, Drivers Conference centre	11 June	50
Bundaberg Enterprise Centre	15 June	10
Mareeba Services Club	16 June	20
Townsville Business Centre	18 June	30
Ingham TYTO Wetlands Centre	18 June	20
Ayr – PCYC	19 June	30
Mackay South Leagues Club	22 June	15
Brisbane – City Hall	25 June	90
Innisfail – Disaster management Centre	26 June	20



## **Key themes**

The following feedback themes were consistent across the public forums.

### **The mandate**

- Most participants supported the introduction of a mandate for both regular unleaded petrol and diesel.
- Participants stressed the importance of ensuring there is bi-partisan support for the mandate to provide certainty for investors and ensure longevity of the industry.
- Due to the significant lead-time of projects, participants believe the Government should put in place a structured approach for mandate increases, outlining the long-term pathway to further ensure policy-longevity and therefore, sustainable growth in the industry.

### **Consumer choice**

- Most participants felt consumer choice should be retained and that the introduction of a biofuels mandate would enable greater choice for consumers where some retailers are not currently offering ethanol-blended fuel.

### **Consumer education campaign**

- Participants strongly agreed that there is a need for consumer education to dispel misinformation within the community.
- The campaign should have a broad target audience from students (including apprentices) through to industry representatives such as technicians and salespeople.
- Participants also agreed that the Government should take a lead role in the consumer education campaign so the audience can be confident the message is unbiased and based on fact.

### **Industry opportunity**

- Participants stressed the importance of a long-term mandate with clear and effective penalties to provide the certainty needed for industry to develop and endure.
- Some participants suggested that the Government could further support research and development or commercialisation of projects by partnering with, or providing seed funding to project proponents.
- Participants were concerned about imported biofuels meeting increased demand resulting from a mandate, especially with the level of uncertainty surrounding Federal excise arrangements.

## Feedback on key three areas

Forum participants were invited to complete a voluntary survey of three key questions. The following answers were provided across the forum locations (noting that not all attendees completed the survey):

Do you support a mandate?		
Yes		No
2%	34	4
4%	21	
5%	1	
6%	9	
8%	4	
10%	24	

Do you support consumer choice?		
Yes	Maybe	No
59	3	18

Do you support a consumer education campaign?	
Yes	No
80	4

## Targeted stakeholder meetings

Key stakeholders were identified and contacted for input into preparation of the discussion paper and the draft Bill. Meetings took place in Sydney, Melbourne, Brisbane, Narangba and Emerald with some meetings also conducted by tele-conference. Stakeholders consulted included major oil companies and fuel retailers, service station operator representative bodies, biofuel refinery operators and proponents, sugar industry representative bodies, agriculture industry representative bodies, consumer bodies and feedstock users. Meetings with stakeholders continued until close of submissions on the discussion paper.