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By email: biofuelsreview@customerservice.nsw.gov.au

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To whom it may concern,

NSW Biofuels Statutory Review

Thank you for the opportunity to provide a submission in response to the Discussion Paper pertaining to the Biofuels Statutory Review of the Biofuels Act 2007.

BP notes that the Australian Institute of Petroleum will also lodge a submission. BP is a member of AIP and BP's submission should be read in conjunction with the AIP submission.

BP believes that biofuels can play a role in reducing greenhouse gas (GHG) emissions, with consideration of sustainable production and full lifecycle assessment. Internationally, BP participates throughout the biofuel value chain to advance the energy transition and to meet local sustainability requirements. Based on this experience, BP notes that biofuels use globally is highly regionalised with varying levels of industry, market and product maturity. Biofuels can also vary with respect to impacts on land, food, GHG emissions, water and social and environmental sustainability.

Biofuels Act Objectives and Targets

The primary objective of the Biofuels Act is to support the development of a sustainable and competitive biofuels industry in NSW.

However, since the inception of the Biofuels Act, there is still only one ethanol producer in NSW (Manildra). Compounding this is a consistently low level of demand for E10 by NSW consumers.

Until very recently, with the commissioning of the Barnawartha plant ('Justbiodiesel') there has been only one NSW based biodiesel producer (Biodiesel Industries) which produces a limited amount of bio-diesel.

The local biodiesel market is lacking the market maturity necessary to enable growth in the near future. Compounding this are federal excise concession settings which have prevented the importing of biodiesel into NSW and Australia and the development of a competitive local market.

More broadly, and with regards to biodiesel product quality and mandated targets, there are also ongoing concerns with cloud point specifications for biodiesel in winter, which has been an ongoing challenge for meeting the Queensland government's targets.

The local biofuels industry therefore does not appear to be delivering on the objective of the Biofuels Act, developing neither sustainably nor competitively.

Consequently, a review of the mandated targets is appropriate with a view to aligning the targets with the level of industry maturity and demonstrated consumer demand.

Compliance and administration

Administratively, the reporting of biofuels data generates higher product costs including reporting processes and supply logistics across both front-ended business units and administratively. The current level of mandated targets also generates the need to undertake regular exemption applications and there would be a benefit to both industry and government from a reduced target and reduced reporting frequency.

With regards to government compliance and enforcement, BP recognises that the current approach is attempting to adapt to the market conditions and should continue to do so. A priority in advance of any change to the compliance measures should be enhancing the regulatory framework, removing loopholes and allowing the market to mature.

For example, penalties are not an appropriate tool for improving compliance in the current stage of biofuel market maturity in NSW. This is primarily because the local biofuels market, as previously mentioned, is at a relatively early stage of development compared to markets in other countries and regions, particularly with regards to bio producers.

This is best exemplified by referring to the typical pattern of wholesaler and supplier changes in the supply market in NSW (and nationally). BP can move from a seller to a buyer and back again within very short timeframes, as can other fuel sellers. The application of penalties to this dynamic is problematic.

An additional consideration here is during instances of biofuel supply shortages, where an entity may become non-compliant as a result of a biofuel shortage generated externally by the state's sole producer or some other external disruption. General liquid fuel supply security for the state will by necessity take precedence.

In such circumstances a penalty or other form of enforcement would not incentivise or influence a change in compliance capability.

Biofuels Expert Panel

BP is supportive of the Biofuels Expert Panel as a means by which (amongst its existing objectives) there can be an increase of options and choice for sellers and consumers to promote competition, cost effectiveness and environmental outcomes.

The Biofuels Expert Panel allows an opportunity for cross industry representation to discuss issues relating to the mandate, and other associated policy matters.

Thank you for the opportunity to make this submission. If the review team would like to discuss this submission further, please contact me on [REDACTED] or at [REDACTED].

Yours faithfully,

[REDACTED]

Chris Byron
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BP Australia