



Biofuels Association
of Australia

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Department of Energy and Water Supply
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RE: Queensland Biofuel Mandate – Pathways Response

Dear Sir/Madam

On behalf of its members, the Biofuels Association of Australia (BAA) welcomes the opportunity to contribute feedback on the pathways for increasing the biofuels mandate.

As background, the BAA is the peak industry body representing biofuel producers, marketers, retailers and others with the purpose of providing leadership and facilitating the building of a sustainable and economically viable Australian biofuels industry, consistent with national and community interests and environmental standards.

Formed in 2006, the BAA is proud to have major Australian industry participants as members, providing valuable input and insight across the supply chain. The BAA works closely with its members and broader stakeholders to identify opportunities to advance the uptake of biofuels in Australia's liquid fuel market, and to lead the way in helping to educate consumers about biofuels, their use and benefits.

Background

We congratulate the government for introducing a biofuels mandate in Queensland. As history shows this has been a long process, importantly, we believe that the mandate will stimulate investment in Queensland. Regulatory uncertainty has been a barrier to the industry developing and reaching its full potential. The Queensland mandate follows the introduction of Federal Government changes to excise on both ethanol and biodiesel.

We strongly believe a 3% ethanol mandate and .5% biodiesel mandate commencing in January 2017 will stimulate activity in the industry.

Ethanol

With reference to the specific pathways outlined in the independent industry consultant's report it is noted this has been superseded by the introduction of a 3% mandate in January, 2017 and an increase to 4%, 18 months later. It should also be noted that there is greater current plant capacity than that quoted in the independent industry consultant report. The current plant capacity would not be reached until the ethanol mandate hit 5%.

If the government is to meet its objective of driving regional development and jobs it is critical that the 5% threshold is reached as quickly as possible. It is the BAA's view that the delayed introduction of a mandate now gives all stakeholders the opportunity to meet the mandate pathways but also lays a good base to push beyond the 5% threshold. It is important to note that the ethanol blend percentage reached 2.8% before dropping significantly after it was announced the government would not proceed with a mandate.

The pathway development process should now focus on reaching 10%, which will deliver on all of the government's objectives. Careful consideration needs to be given how the industry develops from 5% to a 10% target. It will require an approach that will lead to the phasing out of unleaded petrol (ULP). It is unlikely that the market will grow above 5% without the removal of choice at the bowser. The phasing out will need to be flagged with industry, stakeholders and consumers several years ahead to adjust to the change. It is a step towards

decarbonising our liquid fuels and providing a solid foundation for a bio-based Queensland industry.

Specifically, the BAA believes that the ethanol 10% mandate will assist with the following:

- Leverage Queensland's agricultural base to create value adding options for farmers
- Improve air quality as a result using oxygenated fuels resulting in more complete combustion
- Take some important first steps in improving Queensland's fuel security by developing alternative fuels in the wake of the announcements of oil refining closures
- Position Queensland as a global player at the forefront of an emerging advanced biofuel industry.
- Take a leadership position in advocating for clean energy

Biodiesel

The biodiesel industry welcomes the government's decision to introduce a mandate. It is unlikely to have consumer resistance issues. At a 5% blend biodiesel is considered by the Australia Quality Fuel Standards to be diesel. All diesel vehicles that are imported into the Australia are compatible with B5 blends.

The .5% biodiesel mandate commencing in January 2017 will match the current capacity in the market. To enable growth in the Queensland market it will be important to signal a clear mandate increase.

The BAA endorses a biodiesel mandate that reflects new projects and capacity. The 2% trajectory for 2019 would be consistent with the incubation period for new projects in the industry.

Yours sincerely,



Mark Sutton
CEO

