



Biofuels Association  
of Australia

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## **RE: Queensland Biofutures 10-Year Roadmap**

Dear Sir/Madam

On behalf of its members, the Biofuels Association of Australia (BAA) welcomes the opportunity to contribute feedback on the Queensland Biofutures 10-year Roadmap consultation paper.

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**

The BAA congratulates the government on introducing a biofuels mandate in Queensland. The BAA believes this is not only a major step forward for the biofuels industry in the State, but also helps underpin the government's broader objectives to develop the biotechnology sector. There is clear evidence internationally of major developments in the sector – delivering on key government objectives, including sustainable products, economic growth and jobs.

### **Key Questions**

1. What could a successful industrial biotechnology sector in Queensland look like in 10 years?

Many projects in the bio-products space identify high value product streams be they in the pharmaceutical, novel chemical or food supplement areas. Usually these products are low volume and require significant capital to confidently capture the value. As a standalone project, these projects usually lack the investment appeal on their own due to the risk reward ratio, but coupled with a fungible higher volume product become more appealing.

The volume baseline of a fungible product (like biofuel) provides a solid cash flow for the investor and the high value product stream provides the promise of a greater return and hence underwrites the additional risk. This is why investments in this sector are more prevalent in jurisdictions that have strong biofuel mandated markets like Brazil and the United States.

The proposed mandate would need to progress above 4% to provide an investment signal for these types of developments. Within the 10-year horizon we believe it will be necessary to phase out unleaded petrol and replace it with E10 to provide the strongest platform for growth in the biofuel and bio-product sector. Expansion beyond E10 is also possible if we follow the lead of other countries and support the uptake of Ethanol blended premium fuels and E85 flex fuel vehicles which both have the potential to further improve air quality and reduce emissions.

Biodiesel has the potential to develop significantly also and provide a solid avenue for jobs growth. Increasing the

mandate percentage over the next 10 years will underpin investment in this sector. Given biodiesel at a 5% blend is considered diesel by the fuel standards authority, market acceptance of the product is also likely to be strong.

In 10 years, ethanol-blended petrol E10 should have broad public acceptance, with unleaded petrol (ULP) phased out. The establishment of a biofuels mandate is a major step forward and lays the foundation for an expanding biotechnology sector in Queensland. With the development of flex fuel cars and other technology the biofuels industry could potentially be as big as the State's sugar industry.

## 2. What are the key challenges to the development of a commercial industrial biotechnology sector in Queensland?

The key challenge is not only establishing the right regulatory and industry framework but sticking to it. The biggest barrier to entry is the historic changes in the regulatory environment. This has not only stifled new development but also threatened the future of the biofuels industry. This is not only important for existing technology but emerging second-generation technology. Investment will not flow where there is any hint of regulatory, policy or political change.

For biofuels and other key regional industries to develop it is important that government ensures regional infrastructure can meet increased production. This is particularly relevant where many roads are not able to carry large trucks, like B-doubles. As the biotech industry develops a full infrastructure audit needs to be undertaken.

The BAA supports the government's plan to educate the public about the benefits of biofuels. Education is the key to driving consumer demand. Any campaign should include the following key messages:

- Ethanol is compatible with the vast majority of vehicles
- Biofuels benefits the environment
- It is cheaper
- Consumers still have choice
- It generates regional jobs
- It supports farmers
- It reduces our reliance on fossil fuels

## 3. What should the balance be between government, industry and research support for the development of industrial biotechnology?

The government needs to create a framework where all emerging technology can compete on an equal footing. While government has a role to play in supporting research it should refrain from picking winners and let the market decide on the allocation of resources based on technology that is commercially viable.

## 4. What should the government's role be in the development of a commercial industrial biotechnology sector?

As above.

## 5. What policy settings could improve Queensland's competitiveness in the development of second-generation industrial biotechnology?

While there is significant scope to drive first generation biofuels, the government needs to work with industry to map out a blueprint to support second-generation biofuels.

Broadly, there are a number of policy initiatives that could be considered:

- Cheaper registration for cars using biofuels
- Driving and promoting E85 as a fuel
- Encouraging the growth of flex fuel vehicles.



- Discounts for E85 vehicles
- Progressive, stable policy which matches technology developments

6. How important will oil and gas prices be to the rate of development of the sector?

Oil and gas prices are a double-edged sword for the biofuels industry. Low oil prices are currently testing the competitiveness of the biofuel industry. Oil prices would need to lift off the current \$35/barrel lows to support new investment. It is difficult to imagine that oil prices will remain very low for a long period and if they do, other mechanisms are likely to be applied globally in order to curb their use and reduce fossil fuel use. The recent historic Paris Climate Change agreement has reinvigorated the push to eventually phase out a reliance on fossil fuels.

7. How do we bridge the gaps between good ideas and bankable projects to realize the potential of industrial biotechnology in Queensland?

There should be a laser-like focus on investing in projects that have commercial merit or potential. The government will not meet its stated objectives of developing a sustainable industry by feeding research projects that clearly have no market potential in even the medium term. Conversely, those that do have genuine commercial potential should be seeded so the viability can be tested.

8. What more can government and industry do together to attract investment in this sector in Queensland?

Once the policy framework is established there is a real opportunity to sell not only the vision, but also achievements. This can be done via delegations, conferences and Queensland's research networks that are internationally recognized. Consideration should be given to establishing a joint committee tasked with selling the merits of the industry.

9. How can we ensure Queensland's small and medium enterprises can participate and compete in the global industrial biotechnology value chain?

Queensland small and media enterprises are both resilient and nimble and will grow as the broader industry grows. A program to highlight opportunities through existing government support services is worth consideration.

Thank you for the opportunity to respond to this groundbreaking policy initiative.

Yours sincerely,



**Mark Sutton**  
CEO

