



10 November 2014

Committee Chair
Senate Standing Committees
on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Chair

The National Farmers' Federation (NFF) welcomes the opportunity to respond to the Senate inquiry into Australia's transport energy resilience and sustainability. The NFF was established in 1979 and is the peak national body representing farmers, and more broadly, agriculture across Australia.

Australian agriculture has become increasingly dependent on affordable and secure fuel supplies. Whether it is for fuelling tractors and farm machinery, fuel to run irrigation systems or fuel for logistics companies to move products from the farm gate to market, Australian farmers and their supply chain members need secure and affordable transport fuel to continue to produce food and fibre for the nation and our export markets.

Recently the NFF participated in the Fuel Security Steering Group. Along with the National Roads and Motorists' Association (NRMA), AGL Energy, Elgas, Biofuels Association of Australia (BAA), Australian Initiative for Sustainable Aviation Fuels (AISAF) and others, this group discussed the current situation of Australian fuel security, potential impacts to industry if interruptions were to occur and possible solutions to such potential supply shortages. The diverse cross-section of participants in this group clearly demonstrates the potential for economy-wide disruptions should fuel supply shortages occur in Australia.

Concerning fuel security, from an NFF perspective two basic principles need to be understood and adhered to by government:

1. Australian agriculture needs access to affordable and secure fuel supplies in order to maintain its ability to produce food and fibre for Australia and our international markets; and
2. Supporting infrastructure must be in place to ensure the efficient and uninterrupted distribution of fuel supplies to agricultural production centres.

From an understanding of these principles, it is then the responsibility of government to create the appropriate policy settings best suited to ensuring these principles are made reality.

Access to affordable and secure fuel

Government action in this area must be driven by the unwavering acknowledgement that regional business, such as farms, must have access to secure and affordable fuel supplies. This access is vital to maintaining the ability of agriculture to produce food and fibre for Australia and our international markets. It is from this understanding that appropriate policies must then be developed by government to ensure this provision of fuel security is realised.

Transport fuel supplies are critical for most farmers throughout the year, but particularly important during times such as harvest and peak irrigation periods. Whilst for the most part Australian fuel supplies have remained secure, there have been recent periods where shortages have occurred. The 2012 Geelong Shell diesel refinery breakdown, which presented a real risk of compromising the successful harvest for many farmers, is an example of where Australian fuel supply can be jeopardized. If situations such as this were to occur more frequently, there is a real potential for food supply issues to develop.

In light of agriculture's dependency on secure fuel supplies, the NFF is concerned with the impact of the closure of Australian transport fuel refineries. Whilst acknowledging the high cost of doing business in Australia, in our view having a limited number of domestic refineries makes the supply chain more sensitive to supply shortages caused by having concentrated production facilities and an increased reliance on imported fuel. As it stands, one-third of our point-in-time fuel supply is at sea, and increases to this will create potential supply issue caused by shipping delays, changing trade arrangements, geopolitical developments, etc.

The NFF will eagerly await the release of the National Energy Security Assessment (NESA) report on the declining capacity of fuel supply and its potential impacts. NFF would urge it to consult with both the Department of Agriculture and the peak farm groups as part of this process. A sound understanding of potential fuel supply vulnerabilities across the breath of the economy is critical in driving policy development to mitigate such issues and strengthen the overall supply of fuel to Australian businesses.

Appropriate fuel transport infrastructure

Putting in place appropriate infrastructure is a vital step in ensuring regional businesses have access to affordable and secure fuel. Development must take place to ensure the efficient and uninterrupted distribution of fuel from production/port facilities through to major agricultural production centres around Australia. The NFF was pleased to see the government's planned commitment of upwards of \$50 billion to developing infrastructure across Australia. Within this commitment, government must now ensure this funding is allocated appropriately to meet the needs of regional Australia, including the need for secure fuel supply. In conjunction with this commitment, more must be done to incentives private investment in regional infrastructure projects. Such actions will ensure infrastructure

funding, both public and private, best contributes to achieving the overall goal of fuel security for regional businesses.

The NFF welcomes the review of Australia's future infrastructure needs, that is to be conducted by Infrastructure Australia. The principles addressed in this letter should be embedded in such a review and drive subsequent recommendations.

Yours sincerely

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