

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Budget Estimates 2012-2013, 30 & 31 May and 1 June 2012

Question: E12-163

OUTCOME 1: Population Health

Topic: Petrol Sniffing

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Senator: Senator Scullion

Question:

On notice, I turn to government. I have little interest in a number of elements. I trust the government is doing its business. But in terms of the actual premium we pay for the fuel, it was certainly explained in the first instance that the reason it was more expensive was that it was offsetting the research in the original investment. On notice, can you provide any information around whether or not that is a consideration, given the period of time and the actual amount of money that is clearly a profit over what would have normally been the case. Has it been taken into consideration in this current contract that is about to be signed on 30 June?

Answer:

The Australian Government currently pays a production subsidy to Opal fuel's producer (BP Australia) to ensure that low aromatic (Opal) fuel can be sold to fuel distributors at the same terminal gate price as regular unleaded petrol. This subsidy is paid in recognition that Opal fuel is more highly refined and produced in smaller quantities than regular unleaded petrol.

The production subsidy rate between 1 July 2006 and 31 August 2010 was 27 cents per litre of Opal fuel produced. The production of larger volumes of Opal fuel provides cost efficiencies in terms of shipping and bulk storage and handling. The expansion of the rollout between 2006 and 2010 resulted in the negotiation of new subsidy rate of 22 cents per litre for Opal fuel produced and stored in Largs North, South Australia. With the establishment of the new Kalgoorlie storage facility for Opal fuel in 2011, a second production subsidy rate of 20.5 cents per litre was negotiated for fuel produced and stored in Kalgoorlie, Western Australia.

The Australian Government has undertaken a procurement process to establish arrangements for the production, transport and storage of low aromatic fuel from 2012-13 to 2015-16. The

procurement process is being undertaken to encourage competition and ensure the Government continues to achieve 'value for money' for the provision of low aromatic fuel.

The current production subsidy model transitioned to a fee for service model on 1 July 2012 under the new arrangements. As prices have been established through a tender process, pricing details will remain commercial-in-confidence from 1 July 2012.