

Senate Rural and Regional Affairs and Transport References Committee

**Questions on Notice – Thursday, 9 April 2015
Melbourne, VIC**

Inquiry into Australia's transport energy resilience and sustainability

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**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT
REFERENCES COMMITTEE**

Inquiry into Australia's transport energy resilience and sustainability

Public Hearing

Monday, 9 April 2015

Melbourne, NSW

Questions Taken on Notice – [Australian Institute of Petroleum](#)

1. HANSARD, PG 24 - 25

CHAIR: Where do I get an answer to: how much product has to be re-refined, or is currently re-refined in Australian refineries?

Mr Warrell: We can give you the data that is submitted.

CHAIR: Okay. You can give us a case history for the last five years of something.

Mr Barrett: I am happy to take that on notice.

AIP RESPONSE:

For the purposes of answering this question, the meaning of products is taken to be finished petroleum products (for example, diesel, petrol, jet fuel) and not refinery feedstocks - intermediate petroleum products (for example, cracker feed) which are expressly purchased by the refinery for further processing to manufacture finished petroleum products. There have only been a handful of occasions over the last five years where an imported shipment of finished petroleum product has been required to be re-processed through an Australian refinery. Where these occasions occurred, there was no identifiable impact on liquid fuel reliability for fuel customers.

As indicated at the Committee Hearing on 9 April and in the following answer to Senator Madigan's Question on Notice, there have been instances where part of a finished petroleum product shipment has been on specification and the remainder of the shipment has been rejected. An example of this instance is detailed in the following answer to Senator Madigan's Question on Notice.

AIP estimates that, from 2010 to 2014, the volume of fuel that has been reprocessed through Australian refineries to meet fuel quality specifications has ranged from 0.0 per cent to 0.08 per cent of total finished product imports. The average over the 2010 to 2014 was 0.06 per cent of total finished products imports.

2. HANSARD, PG 13

Senator Madigan: Could you take it on notice, gentleman and inform the committee of what percentage of imported fuel does not meet the specification

Mr Warrell: Okay.

AIP RESPONSE: As indicated to the Committee Hearing on 9 April 2015, the instances of imported fuel not meeting fuel quality specification are rare. The fuel quality assurance processes undertaken by AIP member companies to ensure that fuel quality is maintained throughout the supply chain are extensive and include the following quality assurance procedures:

- The fuel is certified to the relevant Australian fuel quality standard when it is manufactured.
- The fuel is tested when the ship is loaded to ensure it conforms to the Australian fuel quality specifications and that no contamination has occurred before departure.
- Therefore, the only way that a ship can arrive with fuel not meeting specification is that something changes on the shipping journey or it is contaminated by the ships system, for example, water ingress into the fuel, particle contamination from the inert gas system, cross contamination in a mixed cargo due to segregation failure, or poor blending practice where an additive is not stable.

An example of the veracity of these procedures was an occasion where part of a shipment of imported diesel was contaminated at the loading port, resulting in some of the cargo (approximately 20 per cent) not meeting the sulfur specification in diesel. Testing as part of the quality assurance procedures identified the issue before the shipment arrived in Australia. The compliant portion of the shipment was discharged in Australia while the non-compliant portion was returned to Singapore. There was no impact on customers or liquid fuel supply reliability.

The number of imported cargoes returned to the supplier for not meeting Australian fuel quality specifications is rare, with each AIP member company reporting between zero and three shipments over the last five years. AIP estimates this accounts for less than 0.1% of imported finished product shipments. However, as demonstrated by the foregoing example, these instances are closely managed to ensure minimal impact on customer and liquid fuel supply reliability.

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Public Hearing

Thursday, 9 April 2015

Melbourne, VIC

Questions Taken on Notice – Professor Chris Greig

1. HANSARD, PG 41

Senator MADIGAN: Earlier this morning, we heard that the IEA treaty is approximately 40 years old, that it was a different time, that we have a greater variety of sources for getting our fuel here in this country and that this sort of thing is outdated. Would you be able to enlighten us as to why the government thinks that all the countries that are signatories to the IEA—what do we know as a nation that they do not?

Prof. Greig: You would have to ask them that, because I do not agree with that. I think that Australia's supply diversity is worse off. You could argue that there are a lot of crude suppliers making up the supply. There are various refineries, and we have refineries in Singapore, Australia and elsewhere, but at the end of the day we are very reliant on the Middle East for crude supplies and Singapore for refined supplies. Our own declining hydrocarbon production as well as refining production means that we are indeed more vulnerable now than we were during the oil shock of 1974. I will just add one thing. Do you think the world has become a more stable geopolitical place?

Senator MADIGAN: I certainly do not think it is more stable, but obviously greater minds than I think it is more stable, but of course that is a moot point here. Would it be possible to take on notice doing some research to see what it would look like and cost if Australian refineries were to provide 30 per cent of our refined transport fuels if that were mandated by government—if we had that strategic refining capability set aside in this country?

Prof. Greig: Yes, we can do that work.

Senator MADIGAN: What sort of cost would it be instead of assumptions as to how dear or how bad that would be?

Prof. Greig: Yes. There is obviously a capital investment required and there is potentially some form of elevated price because we are not quite as cheap a production cost as Singapore. But the work can be done, yes.

Senator MADIGAN: Thank you.