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Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Re: Inquiry into the Low Aromatic Fuel Bill 2012

Thank you for the opportunity for BP Australia Pty Ltd (BP) to provide a submission regarding *The Low Aromatic Fuel Bill 2012* (the Bill) sponsored by Senator Siewart.

BP is very proud of our role in being the only oil company to respond to community concerns regarding indigenous petrol sniffing raised in 2004. We replied to a plea for help by developing a low aromatic fuel, neutrally branding it Opal, and have been committed to its implementation across Australia to eliminate petrol sniffing ever since.

As BP developed Opal fuel for the community as a whole, it is important to note that the production formula has been made available to other oil companies in order to maximise its production and distribution.

BP understands the intent of the Bill is to further reduce petrol sniffing in identified communities where Regular Unleaded Petrol (RULP) is available. The policy mechanism is the Minister's capacity to declare either a 'Low Aromatic Fuel Area' or a 'Fuel Control Area' after a process of stakeholder consultation and determination that such measures will benefit a community.

Such declarations would essentially be a mandate for Opal fuel in particular areas.

BP generally opposes mandates due to the market distortions and unintended consequences they can produce, however we feel the particular circumstances of this situation (indigenous health and community concerns within remote areas) fits within the scope of government to develop an appropriate policy response. As such we are impartial on the Bill's policy mechanism.

For the Committee's consideration however, we are able to share our views on the development of Opal fuel in 2004, what has contributed to its success, and discuss potential policy implications.



Opal's history

After 12 months of community consultation, working with government and product development, BP launched Opal fuel to 62 communities located throughout Central Australia in February 2005. Since this time Opal fuel has enjoyed significant bipartisan and community support.

We are now working with community and government stakeholders to increase distribution to over 110 remote communities comprising some 130 retail sites. Our refinery in Kwinana Western Australia has produced more than 84 million litres of Opal fuel, where it has then been distributed via terminals located in Adelaide and Kalgoorlie for delivery into Central Australia and the Goldfields.

A comprehensive study published in 2008 established that Opal reduced the incidence of petrol sniffing by up to 94% in affected communities.¹

In recognition of the significant contribution low aromatic fuel could make to indigenous health and the community, BP deliberately branded Opal in a neutral manner and has made the trademark available to other oil companies in order to maximise its distribution.

Over time we have worked collaboratively with the Department of Health and Aging (DoHA) in a manner that leverages our respective strengths. The focus of DoHA has been on health policy and community engagement to support the Government's petrol sniffing eight-point plan, while BP has led product development and technical support to promote consumer and reseller acceptance.

In BP's experience consumer acceptance of Opal fuel has been a significant contributor to either community support for the product, or active resistance to it. There were instances in the early days where Opal suffered from perceptions of poor product quality in some remote communities – despite motoring organisations and significant technical analysis determining the causes were the result of mechanical failure in poorly maintained vehicles.² Nonetheless, these consumer concerns did impact Opal's reputation.

In response BP sought to leverage its capability in fuels marketing, logistics and product quality to support DoHA's stakeholder consultation in each community where Opal fuel is introduced.

Since 2010 this approach, together with enhancements that result in Opal also being fit-for-purpose in boats, has been critical to its increased acceptance.

A recent four-year \$91 million commitment by the Federal Government will result in expansion of Opal fuel to at least 39 additional retail sites within 11 communities located in Queensland, Western Australia and the Northern Territory.

¹ *Evaluation of the Impact of Opal Fuel* by Peter d'Abbs (James Cook University) and Gillian Shaw (Bowchung Pty Ltd) for the Commonwealth Department of Health and Ageing, October 2008.

² The SA Centre for Economic Studies *Cost Benefit Analysis of Legislation to Mandate the Supply of Opal Fuel in Regions of Australia*. Views on Opal fuel page 59.



BP's observations from Opal implementation

The process used by BP and DoHA to introduce Opal fuel into communities has evolved over time and incorporated many lessons since 2005. Some of these key lessons and their potential impact on the Bill include:

- Significant time and resources are required prior to a launch of Opal fuel into a community. Objectives of this stage include gaining community support and developing technical understanding in key stakeholders.

The success of these pre-launch steps may be diminished where introduction of Opal fuel is driven by mandate rather than a whole-of-community demand and complete stakeholder acceptance.

Any decision to mandate Opal fuel will need to accommodate existing Opal rollout plans and not assume an 'immediate fix' will be in place once the Minister makes a declaration.

- The rollout of Opal fuel to a community though significant, is only part of the solution to address petrol sniffing. Other elements of the Government's petrol sniffing eight point plan are critical and include consistent legislation, levels of policing, activities for young people, treatment and respite facilities, communication and education strategies, community support, and overall evaluation.

To ensure success in addressing petrol sniffing, any decision to mandate Opal fuel will still need to incorporate other elements of the eight point plan and be mindful of working in what may be a divided community. The development and coordination of other elements will take time and not result in an 'immediate fix' once the Minister makes a declaration.

- Positive engagement of fuel distributors and retailers has been fundamental to the success of Opal implementation.

Whilst this view has developed from an environment without a mandate mechanism, a future mandate for Opal fuel may simply result in increased PULP availability.

- The production of Opal fuel at BP's Kwinana Refinery in Western Australia is part of a complex supply chain that impacts the production of other liquid fuels such as premium fuels (PULP) and diesel.

Any mandated decision to rollout Opal fuel will need to be mindful of production and supply chain constraints (which may be considerable). Increases will need to be incremental, forecast well in advance and leverage existing supply envelopes.

The Kwinana Refinery currently produces some 20 million litres per annum of Opal fuel, and could produce up to 40 million litres per annum at the current production subsidy. Production up to 100 million litres per annum is possible but would require review of the production subsidy.



Summary

BP remains committed to working with the Government to address one of the biggest indigenous health issues in Australia. We recognise that Opal fuel is only part of the solution, and will continue to work with all stakeholders to develop programs which support education and positive engagement initiatives.

I am happy to provide further information, including meeting with the committee, to provide further details about BP's experiences and comments on the Bill.

Yours sincerely

Richard Wise

