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Inquiry into the Excise Tariff Amendment (Product Stewardship for Oil) Bill 2023 and the Customs Tariff Amendment (Product Stewardship for Oil) Bill 2023

email to ec.sen@aph.gov.au.

Please see attached a submission from Southern Oil Refining. For the purposes of simplicity our recommendations are provided first, with the company's background and our analysis on the Product Stewardship for Oil scheme (PSO) following.

Recommendations

The PSO deficit has grown, and the waste lube oil industry is at risk as the scheme has remained largely stagnant.

It is noted that a modest increase in the levy benefit (5.7 cpl) and changes in to PSO category 8 benefit are proposed. Neither of these changes make any meaningful difference to address the broader challenges for our sector. At a program level, the PSO scheme has worked in the past and can be strengthened to ensure that the industry continues to develop and remains viable into the future.

Our recommendations are:

1. Update benefit rates to today's dollars to reflect the current costs in maintaining and updating infrastructure. The consumer price index from 2023 – 2022 has increased well over 1.55 times, therefore increase the categories claimed as follows:
 - a. Category 1, Re-refined base oil: 76.5cpl
 - b. Category 2, Other re-refined base oils: 15.3cpl
 - c. Category 5: High grade industrial burning oils: 7.65cpl
2. Increase the Levy from the proposed 14.2cpl to between 18 – 22 cpl. This will provide sufficient funds to eliminate the headline deficit. SOR has recently commissioned an updated "Willingness to Pay" modelling study by EY. The report will be finalised mid-June. Indicative findings from the national survey are that an increase in the levy to the amount above will have a very minor impact on consumers on an annual basis.

3. Automatically index the benefits and levy at the same time, and in the same quanta as the fuel excise level to ensure the scheme remains in balance and at an appropriate level in future terms. This was how the PSO was originally setup to operate.
4. Reduce or eliminate the levy payable on re-refined base oil to incentivise the use of domestically produced base-oil over imported materials.
5. Increase the periodical review intervals for the PSO programme from four (4) years to a minimum of eight (8) years. This will provide the industry with a longer horizon and confidence in the investment decisions around long term assets. I.e.: Oil processing infrastructure / refineries have a minimum life of 25 years. Given the proven track record of the scheme over 20 years of operation, major reviews every four (4) years also place an unnecessary administrative burden on those overseeing the scheme.

Benefits for the Programme and the Community

The above updates to the PSO will ensure:

1. Continuance of cost-effective waste oil collections Australia wide, including regional and remote areas.
2. Continuance of investment in current and new infrastructure which will increase economic activity growing jobs, oil security and ensuring best environmental outcomes.
3. The update will encourage more waste oil to be captured by the scheme and push that oil into the highest use in the hierarchy, cradle to cradle recycling.

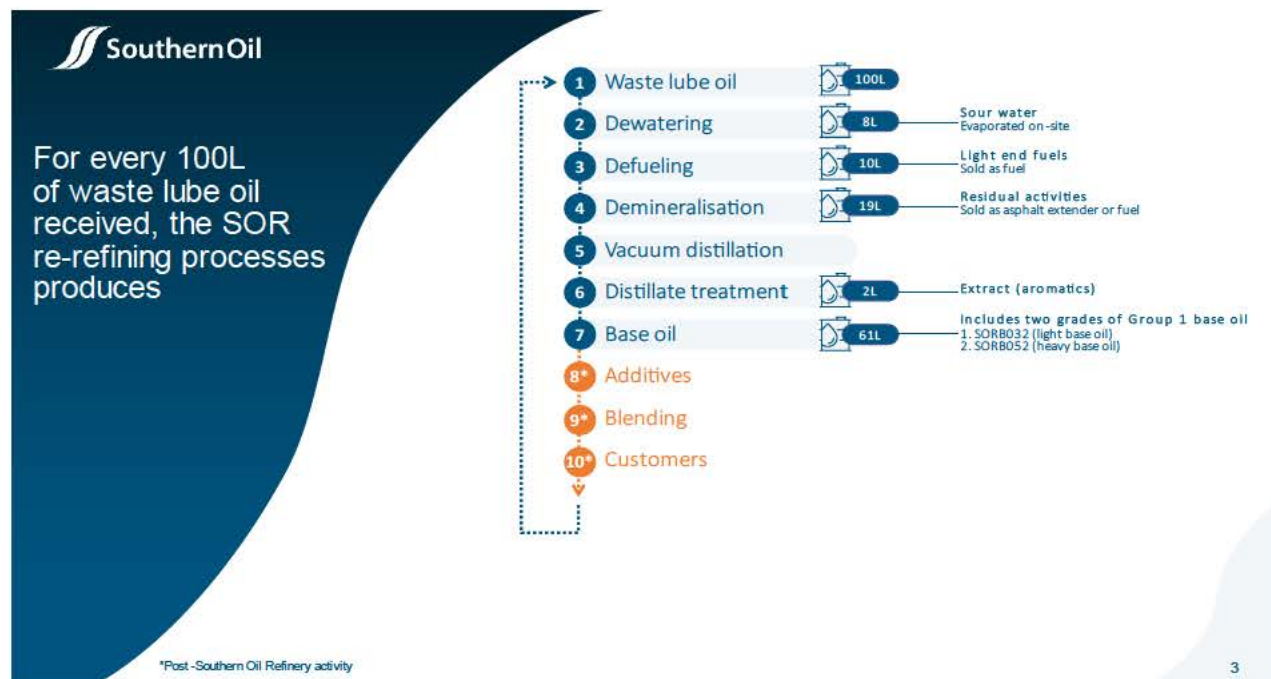
Background

Southern Oil Refining (SOR) Southern Oil is Australia's largest waste lube oil recycler. We receive and refine 420,000 litres a day of waste oil collected, aggregated and transported to our 2 refineries (Wagga Wagga and Gladstone) from Darwin to Adelaide and the entire eastern seaboard. SOR designed, Southern Oil Refining (SOR) built and operate the \$85 million Northern Oil Refinery at Yarwun, near Gladstone, one of the most advance refineries of its type in the world. SOR was also the first company in Australia to produce fully re-refined lube oil to international standards and is Australia's leading manufacturer of re-refined lube oil and a world leader in the production of biobased diesel.

In 2019, independent assessment demonstrated that Southern Oil had re-refined 600 million litres of waste lube oil - a greenhouse gas equivalent of 1.72 million tonnes or permanently taking 324,617 cars from the road. These figures have increased significantly during the last 4 years.

Our operations have the capacity to re-refine 30 per cent of Australia's annual production of waste/used lube oil.

What we do.



PSO

The PSO is an example of a product stewardship scheme that has largely worked at a program level.

The fact that Australia has high used oil recycling rates despite being such a large country geographically, with a dispersed population, is a remarkable achievement.

However, financial settings underpinning the PSO (levy and benefits) have not kept track with industry costs and this threatens future waste oil collections in regional Australia, and will limit future investment in world class and innovative collections and recycling infrastructure needed for the Australian domestic conditions.

Circular Economy, Environmental and Regional Benefits, a model for sustainability

Since the implementation of the PSO scheme, our industry has stopped over 5 billion litres of used oil from entering the environment.

It is relevant to highlight that the oil recycling industry is providing employment to over 600 people with over 40 additional small enterprise engaged in independent collection of used oil across Australia. It is estimated that these companies employ a further 170 people. Many of these enterprises are in regional areas.

The creation of an Australian owned domestic manufacturing industry has resulted from investment of significant capital into modern cradle to cradle re-refining facilities including vacuum distillation, thin film distillation, propane de-asphalting, solvent extraction, thermal and catalytic incineration, and hydrotreatment.

This has led to providing domestic lubricant security that results in less reliance on oil imports from overseas manufacturing facilities and creation of domestic and export markets for recycled oil products that also supports an extensive network of thousands of suppliers, service providers, trades people, and contractors.

Conclusion

SOR maintains support of the PSO scheme recognising the scheme has previously achieved success in meeting the principal objectives of the PSO Act. Adoption of the above recommendations will ensure the success of the scheme into the future.

If you have any further questions, please contact Mr Troy Collings, Director (Corporate and Regulatory Affairs)

Yours sincerely

Troy Collings

Director of (Corporate and Regulatory Affairs.)

