

Chapter 1

Introduction and background

1.1 On 3 September 2014, the following matters were referred to the Senate Rural and Regional Affairs and Transport References Committee for inquiry and report by the last sitting day in March 2015.

Australia's transport energy resilience and sustainability, with particular reference to:

- a. options for introducing mandatory oil stockholdings;
- b. the role of Government in ensuring Australian energy for Australians, including maintaining refinery capability; and
- c. Australia's role and responsibility regarding energy security as a member of various multilateral fora.

1.2 On 12 February 2015, the Senate granted an extension of time for reporting to the committee. The extension provided for the committee to report by 25 June 2015.

Conduct of the inquiry

1.3 The inquiry was advertised in *The Australian* and on the committee webpage. The committee also wrote to government departments, organisations and individuals to invite submissions. Details of the inquiry and associated documents are available on the committee's webpage.

1.4 The committee received 41 public submissions and 1 confidential submission which are listed at Appendix 1. The public submissions are also published on the committee's webpage.

1.5 The committee held public hearings in Sydney on 2 February and Melbourne on 9 April 2015. A list of witnesses who appeared at the hearings is at Appendix 2.

Acknowledgement

1.6 The committee acknowledges the organisations and individuals that made contributions to the inquiry through submissions and appearances at the hearings.

Background and inquiry focus

1.7 On 8 April 2015, during the course of the committee's inquiry, the Australian Government released the 2015 Energy White Paper. The paper recognised that Australia's current oil stockholdings do not currently meet its obligations under the International Energy Agency (IEA) treaty.¹ As a member of the IEA, Australia is obliged to hold oil stocks equivalent to 90 days of its prior year's net imports.²

1 Australian Government, *Energy White Paper: Increasing competition to keep prices down*, Department of Industry and Science, April 2015, p. 27.

2 International Energy Agency, *Closing Oil Stock Levels in Days of Net Imports*, January 2015, <https://www.iea.org/netimports/> (accessed 5 May 2015).

1.8 In January 2015, the IEA reported that, Australia fell short of this 90 day requirement with 51 days of industry stockholdings.³ IEA data on closing oil stock levels of net imports reveals that Australia's stocks had progressively declined from 88 days in January 2010 to 83 days in January 2012 to 60 days in January 2014.⁴ According to the University of Queensland (UQ), Australia's stocks have progressively declined from 2002 when there were over 300 days of stock.⁵

1.9 In the Energy White Paper, the Australian Government noted that meeting its 90 day IEA obligations would require an investment of billions of dollars in stocks and storage infrastructure over a decade. It further noted that:

A decision on how to address this compliance issue will be made by the Government in 2015.⁶

1.10 In light of this evidence, this report considers Australia's liquid fuel supply and stockholdings, with a focus on the challenges and opportunities to Australia in meeting its IEA obligations. However, it also recognises that Australia's energy security entails more than simply IEA compliance.

1.11 As part of this review, the report lays out the current context in terms of Australia's energy consumption, production, importation and exportation. It explores the implications of Australia's declining reserves and production of petroleum. It also considers the role of government in relation to energy security with a particular focus on Australia's approach of relying heavily on market forces to deliver energy security.

3 International Energy Agency, Closing Oil Stock Levels in Days of Net Imports, January 2015, <https://www.iea.org/netimports/> (accessed 5 May 2015).

4 International Energy Agency, Closing Oil Stock Levels in Days of Net Imports, April 2012, <http://www.iea.org/netimports/?y=2012&m=04> (accessed 5 March 2015).

5 University of Queensland, *Submission 12*, p. 4.

6 Australian Government, *Energy White Paper: Increasing competition to keep prices down*, Department of Industry and Science, April 2015, p. 27.