

Chapter 6

Committee view and recommendations

6.1 Evidence to the committee suggested that Australia is almost totally reliant on liquid fuels for transport and transportation services which underpin significant economic activity, utilities and essential services. Therefore, any substantial disruption to Australia's transport fuel supplies would have a significant impact on safety, national security, national productivity and society.¹

6.2 Evidence to the committee regarding the question of whether Australia's fuel security will remain adequate, reliable and competitive into the foreseeable future was divided. Some submitters held the view that, in the absence of local capability, there are no guarantees that Australia would be able to access adequate alternate sources of supply in the event of a disruption to the supply chain.² Others, including the department and AIP, argued that Australia had adequate sources to maintain supply.

6.3 While attention was drawn to contingency planning in the wake of fuel supply disruption brought about by an emergency, focus was also given to the wider question of the security and sustainability of Australia's fuel supply. In particular, the role of alternative energy sources in providing for the country's energy needs into the future was considered.

6.4 Historically, Australia has relied on a combination of domestic crude oil production, domestic refining and diversity in supply points to maximise reliability in supply. However, the point was made that Australia's declining crude oil production and refining capacity, coupled with its growing reliance on crude oil sourced from relatively unstable regions, is changing Australia's fuel risk profile.³

6.5 One of the central questions before the committee was whether reliance on the market is the best course of action in relation to energy security. Caltex and other fuel supply companies contend that it is.⁴ Others, most notably NRMA and Engineers Australia argued that Australia's growing reliance on imported oil, together with declining refining capacity, warranted a comprehensive review of Australia's fuel security into the future.⁵ Noting that Australia is at the bottom of a long supply chain, the committee was repeatedly reminded of the vulnerabilities to the supply chain that result, quite apart from Australia's continued inability to meet IEA stockholding requirement.

1 University of Queensland, *Submission 12*, p. 7.

2 Australian Workers' Union, *Submission 20*, p. 8.

3 Department of Industry and Science, *Strategic Framework for Alternative Transport Fuels*, December 2011, p. 21.

4 Caltex, *Submission 26*, p. 12.

5 Dr Brent Jackson, Engineers Australia, *Committee Hansard*, 2 February 2015, p. 4.

6.6 In light of its growing dependence on fuel imports, the committee questions whether leaving Australia's energy security to market forces remains the most feasible and tenable policy approach. Ultimately, it is not the role of the fuel supply companies to ensure that Australia has adequate reserves. That is a matter for government. In this regard, the fact that a substantial disruption in fuel supply would have serious consequences across the Australian community weighted heavily on the minds of committee members.

6.7 The committee takes the view that, as a first step, a comprehensive assessment should be undertaken to establish a sound understanding of the internal and external factors which pose as possible risks to Australia's fuel supply. The assessment should take into consideration both external and internal threats to supply and examine the feasibility of risk mitigation strategies.

Recommendation 1

6.8 The committee recommends that the Australian Government undertake a comprehensive whole-of-government risk assessment of Australia's fuel supply, availability and vulnerability. The assessment should consider the vulnerabilities in Australia's fuel supply to possible disruptions resulting from military actions, acts of terrorism, natural disasters, industrial accidents and financial and other structural dislocation. Any other external or domestic circumstance that could interfere with Australia's fuel supply should also be considered.

Compliance with the IEA 90 day holding requirement

6.9 The committee upholds the view that Australia's membership of the IEA is imperative and commends the Australian Government for its recent commitment to meet Australia's 90 day stockholding obligation.

6.10 The committee acknowledges that the continued decline in domestic production and increased demand for liquid fuel has placed pressure on Australia's IEA commitments. However, it is concerned that Australia has not met its 90 day stockholding obligations since March 2012. The committee is equally concerned that under current projections, Australia may average below 45 days of reserves by 2024.⁶

6.11 Therefore, the committee strongly encourages the Australian Government to set out its plan to achieve compliance as soon as practicable. Where appropriate, the plan should set targets and other measurable indicators of progress towards compliance.

Mandatory regular reporting on fuel stocks

6.12 At the start of the inquiry, the committee set out to identify the amount of fuel stocks available in Australia on any given day. It proved to be a complicated task. Considerable evidence to the committee emphasised the lack of details and knowledge regarding the availability of fuel supplies as well as the uncertainty of emergency management outcomes and the related consequences for Australian industries.

6 Department of Industry and Science, *Submission 41*, p. 7; Department of Industry, *Energy White Paper – Issues Paper*, December 2013, p. 12.

6.13 The committee acknowledges that the department has improved the reporting process in relation to fuel supplies. However, the committee firmly believes that fuel companies should be required to report their fuel stocks to the department on a regular basis. Evidence to the committee suggested that it would not be onerous for fuel supply companies to report regularly to the Department of Industry and Science on their fuel stocks.⁷

Recommendation 2

6.14 The committee recommends that the Australian Government require all fuel supply companies to report their fuel stocks to the Department of Industry and Science on a monthly basis.

Transport Energy Plan

6.15 The committee acknowledges the concerns raised by submitters during the inquiry regarding the sustainability of Australia's transport energy and the need for surety regarding alternative energy sources. The committee upholds the view that the Australian Government should develop a national transport energy plan which sets appropriate targets for the provision of a secure supply of Australia's transport energy.

6.16 The transport energy plan should consider all energy sources including that of alternative fuels. It should identify the obstacles and challenges to achieving an affordable and sustainable transport energy supply and provide short and long-term solutions to them.

Recommendation 3

6.17 The committee recommends that the Australian Government develop and publish a comprehensive Transport Energy Plan directed to achieving a secure, affordable and sustainable transport energy supply. The plan should be developed following a public consultation process. Where appropriate, the plan should set targets for the secure supply of Australia's transport energy.

**Senator Glenn Sterle
Chair**

7 Mr Graham Blight, National Roads and Motorists' Association, *Committee Hansard*, 2 February 2015, p. 76.

