

Senate Community Affairs Committee

ANSWERS TO ESTIMATES QUESTIONS ON NOTICE

HEALTH AND AGEING PORTFOLIO

Budget Estimates 2012-2013, 30 & 31 May and 1 June 2012

Question: E12-162

OUTCOME 1: Population Health

Topic: Opal Fuel

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Senator: Senator Scullion

Question:

I have a general question in regard to Opal fuel. We accept with most new things that we have to pay a research surcharge on them. They are a lot more expensive because they have been manufactured for a particular use. What is the differential in the subsidy? How much is the subsidy per litre, or however you work it out, and how long is that going to apply?

Answer:

The Australian Government currently pays a production subsidy to ensure that low aromatic (Opal) fuel can be sold to fuel retailers and consumers at a price equivalent to regular unleaded petrol.

The subsidy currently paid to Opal fuel's producer (BP Australia) ensures that Opal fuel can be sold to fuel distributors at the same terminal gate price as regular unleaded petrol. This subsidy is paid in recognition that Opal fuel is more highly refined and produced in smaller quantities than regular unleaded petrol. The production subsidy is a fixed price and does not fluctuate. The subsidy rate in the 2011-12 financial year was 22 cents per litre for Opal fuel produced and stored in Largs North, South Australia and 20.5 cents per litre for Opal fuel produced and stored in Kalgoorlie, Western Australia.

The Department has undertaken a procurement process to establish arrangements for the production and storage of low aromatic fuel from 2012-13 to 2015-16. The current production subsidy model will transition to a fee for service model from 1 July 2012 under the new arrangements. As prices have been established through a tender process, pricing details will remain commercial in confidence from 1 July 2012.