

Senate Standing Committee on Environment and Communications
Legislation Committee
Answers to questions on notice
Environment and Energy portfolio

Question No: 256
Hearing: Supplementary Budget Estimates
Outcome: Outcome 5
Program: Energy Security Office (ESO)
Topic: Biofuel Production in Australia
Hansard Page: 13
Question Date: 21 October 2016
Question Type: Spoken

Senator Waters, Larissa asked:

Senator WATERS: Could you provide some more detail on notice about the scope of how you are looking at meeting the 90-day requirement? And what proportion of that might be from biofuels?

Ms Sewell: I can tell you at the moment that biofuels comprise about two percent of our transport fuel in Australia, and, basically, the work of the office is not looking at anything to support or further expand the biofuels or ethanol sector in Australia.

Senator WATERS: Why not?

Ms Sewell: We are at the other end of it in terms of ensuring we understand how much biofuel is produced, but we are not the area that would be looking at any support mechanisms.

Senator WATERS: Even though that is an energy security issue about fuel supply?

Ms Sewell: It is an energy security issue insofar as domestic production means we do not need to import, but we do already, for example, import quite large quantities of biodiesel, so there is a trade-off between biofuels that might be produced in Australia and existing imports and how they would replace petroleum products.

Senator WATERS: I see. And imports do not count for a 90-day target—okay. Clearly, it is a new area for me. I would like to learn a bit more, so please send me anything you think would be useful.

Ms Sewell: Certainly.

Answer:

Signatories to the International Energy Agency's (IEA) International Energy Program Treaty are required to hold oil stocks equivalent to at least 90 days of their prior year's daily net oil imports, and in the event of a major international oil disruption, contribute to IEA collective actions by way of a stock release, demand restraint, fuel switching, or increased production or fuel sharing. The IEA definition of "oil stocks" includes biofuels.

Australia has historically relied on commercial stock levels to meet the 90 day requirement. However, due to declining domestic production and increased demand for liquid fuels, these stocks are no longer sufficient to meet the 90 day requirement. Consequently, Australia has been non-compliant with the 90 day stockholding obligation since March 2012.

In June 2016, the IEA Governing Board noted Australia's plan for returning to compliance with the stockholding obligation. The compliance plan comprises:

- the introduction of mandatory reporting of liquid fuel stocks in Australia from January 2018

- the purchase of 400 kilo tonnes of oil “tickets” in 2018-19 and 2019-20 to enable Australia to contribute to an IEA collective action if needed. Tickets are used by some IEA members to supplement in-country stocks to meet their 90 day requirement and can be used to contribute towards a collective action in the event of an oil supply disruption.
- a return to full compliance with the IEA stockholding obligation by 2026.
- establishment of an Energy Security Office in the Department of the Environment and Energy.