

The Western Australian Farmers  
Federation (Inc)

Submission

to

Australian Senate - Rural and Regional  
Affairs and Transport References  
Committee

Inquiry into future oil supply and  
alternative transport fuels

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## 1. INTRODUCTION - BACKGROUND INFORMATION

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The Western Australian Farmers Federation (Inc) (WAFarmers) is WA's largest and most influential rural lobby and service organisation.

WAFarmers represents West Australian farmers from a range of primary industries including grain growers, meat and wool producers, horticulturalists, dairy farmers and beekeepers plus rural small business owners.

It is estimated that collectively our members are major contributors to the \$6.1 billion gross value of production that agriculture in its various forms contributes to Western Australia's economy (WA Agri-Food Industry Outlook – August 2005).

Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental well being of that land.

## 1.1 THE INQUIRY

The inquiry has particular reference to:

- a) projections of oil production and demand in Australia and globally and the implications for availability and pricing of transport fuels in Australia;
- b) potential of new sources of oil and alternative transport fuels to meet a significant share of Australia's fuel demands, taking into account technological developments and environmental and economic costs;
- c) flow-on economic and social impacts in Australia from continuing rises in the price of transport fuel and potential reductions in oil supply; and
- d) options for reducing Australia's transport fuel demands.

WAFarmers submission points to this inquiry are generic and pertain to rural and regional Western Australia. Specific mechanical detail will not be provided at this stage as the adoption of the strategic principles are more important for structural change and the efficient production and supply of alternative transport fuels in Australia.

WAFarmers 2006 Annual Conference theme is 'Fuelling Agriculture' where we are exploring and discussing a lot of the issues raised as reference points for this inquiry and we will be in a better position to discuss these points with the Inquiry panel members when they come to Perth for public hearings following the annual conference at the end of March 2006.

## **2. RECOMMENDATION SUMMARY**

1. Government in collaboration with industry should fastrack biofuel development in Australia by streamlining the regulatory environment, providing long term certainty with the excise regime and facilitate R & D in this area. Refer 3.1
2. Feed stock for alternative transport fuels needs to be identified now and a farming system gap analysis completed such that the identified research gaps can be answered. Refer 3.2
3. Put in place enabling legislation for a carbon trading system to be developed in Australia. Refer 3.3.1
4. That waste minimisation be one of the strategic goals of the alternative transport fuel process. Refer 3.3.2
5. Ensure processing infrastructure is located in regional areas close to feedstock supply for biofuel processing and distribution efficiency. Refer 3.4

### **3. PRIMARY PRODUCERS AND TRANSPORT FUELS - WA**

Primary producers' reliance on fossil oil production is a significant strategic problem in the global trading environment for competitive advantage given the effects on input costs for transport fuel, chemicals and fertilisers all being totally reliant on fossil fuel supply. This reliance is further exacerbated by the fact that primary producers are price takers in a government disorientated global market place where as the Australian market place basically is unfettered from government control but not regulation red tape.

The other key aspect of the agribusiness environment in Australia is the tendency towards a duopoly scenario for service provision from an input/cost perspective. Even without this state primary production sees nearly 75c in the \$ of every \$ of production ending up in service providers hands, shifting this towards primary producers profitability is an imperative particularly with the provision and supply of product for alternative fuel supply for Australia.

The following are provided as a means of addressing this situation short of providing a small handful of corporate funds full control of energy supply and at least ensuring equitable access to energy to people wherever they live.

#### **3.1 ALTERNATIVE FUEL PROCESSING**

The processing techniques for biofuels – ethanol and bio-diesel have developed substantially in the last several years. These should be fast tracked by Australia's R & D bodies for application on a regional infrastructure basis with the view to have them operational in the next 3 – 5 years. This is particularly so for the catalytic depolymerisation process for cellulose to biodiesel. The most significant issue surrounding development is the regulatory and excise environment and governments at all levels need to greatly facilitate this development not hinder it.

##### Recommendation

Government in collaboration with industry should fastrack biofuel development in Australia by streamlining the regulatory environment, providing long term certainty with the excise regime and facilitate R & D in this area.

#### **3.2 ALTERNATIVE FUEL FEED STOCK**

Given the Natural Resource Management / Environmental Management Systems push by Government for primary industry then from a whole of value chain system point of view all the existing and potential renewable fuel feed stock products from agriculture need to be identified and there place in relevant farming systems established for adoption by existing producers.

### Recommendation

Feed stock for alternative transport fuels needs to be identified now and a farming system gap analysis completed such that the identified research gaps can be answered.

## **3.3 SUSTAINABLE ENVIRONMENTAL MANAGEMENT**

### **3.3.1 Carbon Trading**

A viable carbon trading system needs to be developed in Australia as one means of a market place driver for primary producers to take up both the use of and production of raw feed stock for the biofuels sector as a complete replacement for imported transport fuel (excluding aviation fuel at this stage).

### Recommendation

Put in place enabling legislation for a carbon trading system to be developed in Australia.

### **3.3.2 Waste Management/By-Product Use**

The value adding processes utilised for biofuel production will produce waste and by-product and it is imperative that from a whole of system perspective there is a use or place for these products both domestically or globally. The waste minimisation aspect is particularly pertinent from energy efficiency performance criteria at both the farm level and nationally given the greenhouse / climate change situation.

### Recommendation

That waste minimisation be one of the strategic goals of the alternative transport fuel process.

## **3.4 ECONOMIC AND SOCIAL IMPACTS – INCREASING FUEL PRICE**

The increasing price of crude oil for chemicals, fertiliser and transport fuel is and will have a detrimental effect both economically and socially on rural and regional Australia. This effect is primarily industry terms of trade/profitability and social isolation as these input costs for primary production are not able to be passed onto consumers in the form of increased prices for rural products (grain, meat and wool). This spiral further exacerbates the declining population – removal of services scenario that has been occurring in WA towns for some 30 years now. Within this area is also the possible impacts of existing distribution networks hindering access to biofuels by consumers.

### Recommendation

Ensure processing infrastructure is located in regional areas close to feedstock supply for biofuel processing and distribution efficiency.