

DOCKETED	
Docket Number:	23-SB-02
Project Title:	SB X1-2 Implementation
TN #:	259105
Document Title:	Western States Petroleum Association Comments - WSPA Cmt Ltr 9-10-2024 cite 30 Australia's fuel security - DCCEEWpdf
Description:	N/A
Filer:	System
Organization:	Western States Petroleum Association
Submitter Role:	Public
Submission Date:	9/10/2024 4:12:44 PM
Docketed Date:	9/10/2024

*Comment Received From: Western States Petroleum Association
Submitted On: 9/10/2024
Docket Number: 23-SB-02*

**WSPA Cmt Ltr 9-10-2024 cite 30 Australia's fuel security -
DCCEEWpdf**

Additional submitted attachment is included below.



Australia's fuel security

Australia relies on liquid fuels for more than half of our final energy demand. While the use of alternative fuels and new vehicle technology is increasing, traditional liquid fuels are still expected to play an important role in Australia's energy mix over the coming years.

The government will monitor the fuel market and work with the fuel industry and energy users to ensure Australia's fuel security is maintained through the transition.

The government is delivering a range of measures to support our domestic fuel security, improve fuel quality and protect consumers and our economy from supply disruptions. These measures focus on:

- establishing a domestic fuel reserve through a [minimum stockholding obligation](#) (#securing)
- maintaining sovereign refining capability through the [Fuel Security Services Payment](#) (#fssp)
- building additional storage capacity through the [Boosting Australia's Diesel Storage Program](#) (#boosting)
- improving Australia's fuel quality by reducing the sulfur content in petrol, and supporting refiners in this transition through the [Refinery Upgrades Program](#) (#refinery)
- modernising [Australia's liquid fuels legislative framework](#) (#modernising)
- working with industry on ways to [strengthen resilience of critical inputs to our fuel market through secure supply of diesel exhaust fluid](#) (#def).



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Securing a national fuel reserve

The *Fuel Security Act 2021* (<https://www.legislation.gov.au/Details/C2021C00547>) provides a legislative framework for government to establish a national fuel reserve through an industry minimum stockholding obligation.

Securing a baseline level of domestic stocks will provide confidence to fuel users and government in our resilience to potential supply disruptions. A minimum stockholding obligation is an efficient way to achieve security of domestic fuel stocks and is commonly used in other developed nations such as the United Kingdom and Japan.

A national fuel reserve established through a minimum stockholding obligation could be relied upon and released to the market in times of supply disruption, in emergencies and if fuel demand unexpectedly increases.

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Fuel Security Services Payment (FSSP)

The [Fuel Security Act 2021](https://www.legislation.gov.au/Details/C2021C00547) (https://www.legislation.gov.au/Details/C2021C00547) also establishes the FSSP, which helps secure Australia's long-term refining capabilities. It does this by paying refiners a production payment during loss-making periods, based on the number of litres of FSSP fuels they produce. This is in recognition of the security benefit they provide Australia.

The amount paid to refiners for their production of these fuels is adjustable, and is based on an external margin marker with the payment to be between:

- 0 cents per litre (cpl) when the margin marker is at or above \$10.20/barrel (collar)
- a maximum of 1.8 cpl when the marker drops to \$7.30/barrel (the cap)

Under the FSSP, refiners only receive government support in downtimes and not when they are profitable.

Read more about the [FSSP](https://www.dcceew.gov.au/energy/security/australias-fuel-security/fuel-security-services-payment) (/energy/security/australias-fuel-security/fuel-security-services-payment).

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Boosting Australia's Diesel Storage Program (BADSP)

Australia uses more energy from diesel alone than from electricity. Diesel is our most important and versatile fuel. It is needed for emergency services, enabling the transport of food, equipment and medicines. It is also a backup fuel for electricity generation for critical services like hospitals, water and sanitation and electricity generation in remote communities. Increasing our storage of diesel onshore through an industry stockholding obligation will help protect consumers and the economy from supply disruptions of this critical fuel.

The BADSP is providing competitive grants, with matched funding from industry, to build additional storage capacity and support around 1000 jobs.

The first storage tanks under the program were completed in 2023. Further information about the program including the program guidelines can be found at [business.gov.au](https://www.business.gov.au/grants-and-programs/boosting-australias-diesel-storage-program) (https://www.business.gov.au/grants-and-programs/boosting-australias-diesel-storage-program).

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Refinery Upgrades Program

The Refinery Upgrades Program supports Australia's two refineries to produce higher quality fuel to [meet new standards from 2025](https://www.dcceew.gov.au/energy/security/australias-fuel-quality) (/climate-change/emissions-reduction/regulating-fuel-quality).

The closed non-competitive grant program funds major infrastructure upgrades at the refineries.

The program is being delivered over 2 phases:

- Phase 1: up to \$125 million per refinery available to produce ultra-low sulfur (maximum 10 ppm) petrol
- Phase 2: up to \$26 million per refinery available to produce lower aromatics petrol.

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Modernising Australia's fuel legislation

Governments, industry and consumers will all benefit from an improved fuel-related legislative framework that is fit for purpose.

The department has published independent reviews of the [Fuel Quality Standards Act 2000](https://www.legislation.gov.au/Details/C2021C00266) (https://www.legislation.gov.au/Details/C2021C00266), the [Competition and Consumer \(Industry Codes—Oil\) Regulations 2017](https://www.legislation.gov.au/Details/F2022C00081) (https://www.legislation.gov.au/Details/F2022C00081), and the [Petroleum and Other Fuels Reporting Act 2017](https://www.legislation.gov.au/Details/F2022C00081)

(<https://www.legislation.gov.au/Details/C2021C00512>) and [Petroleum and Other Fuels Reporting Rules 2017](#) (<https://www.legislation.gov.au/Details/F2022C01122>). The reviews assessed whether the pieces of legislation are achieving their policy objectives and identified areas to further align Australia's liquid fuel legislation. Further information on these reviews and government responses is available:

- [Independent review of the Fuel Quality Standards Act](#) (/energy/publications/independent-review-fuel-quality-standards-act)
- [Independent review of the Oil Code](#) (/energy/publications/independent-review-oil-code)
- [Independent review of the Petroleum and Other Fuels Reporting Act](#) (/energy/publications/independent-review-petroleum-and-other-fuels-reporting-act)

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Securing diesel exhaust fluid to keep Australia moving

The Australian Government has committed \$49.5 million over four years from 2022-23 to 2025-2026 for domestic supply of diesel exhaust fluid (DEF). This investment will keep Australia's diesel dependent transport sector moving. It is a comprehensive package to strengthen security of the market and protect households, business and industry from a disruption.

DEF is essential for the operation of modern diesel engines fitted with selective catalytic conversion systems. Without DEF these vehicles cannot run. DEF reduces noxious emissions that are harmful to human health and the environment. The majority of Australia's diesel exhaust fluid consumption is in the long-haul road trucking fleet. DEF is made by blending technical grade urea (TGU) one third to two thirds with deionised water.

The investment has established an emergency stockpile of TGU, a competitive grants program for domestic manufacturing, and enhanced market transparency through industry stocks reporting.

The market is currently well-supplied, and these measures deliver certainty and provide back-up in case of disruption.

The Australian Government is continuing to engage closely with DEF manufacturers, importers, wholesalers, retailers and distributors to ensure the market is functioning properly and supply chains are delivering.

Read more

[Minister's media release](#) (<https://minister.dcceew.gov.au/bowen/media-releases/albanese-government-keeping-australian-trucks-moving-mos-t-def-inutely>)

[Maintaining Our Supply of Diesel Exhaust Fluid Program](#) (<https://business.gov.au/grants-and-programs/maintaining-our-supply-of-diesel-exhaust-fluid-program>)