

Wholesale price for fuel ethanol

29 February 2024

The Independent Pricing and Regulatory Tribunal (IPART) has two ongoing roles under the Biofuels Act 2007 (Biofuels Act):

- To determine, and periodically review, a 'reasonable wholesale price' for ethanol for use in the production of petrol-ethanol blends such as E10. Fuel sellers can be [exempt from meeting the ethanol mandate](#) if the wholesale price of fuel ethanol paid by retailers exceeds the reasonable wholesale price determined by IPART.
- To monitor the retail market (including prices) for petrol-ethanol blend and make reports to the Minister for Fair Trading on the effect of a wholesale determination on the retail market.

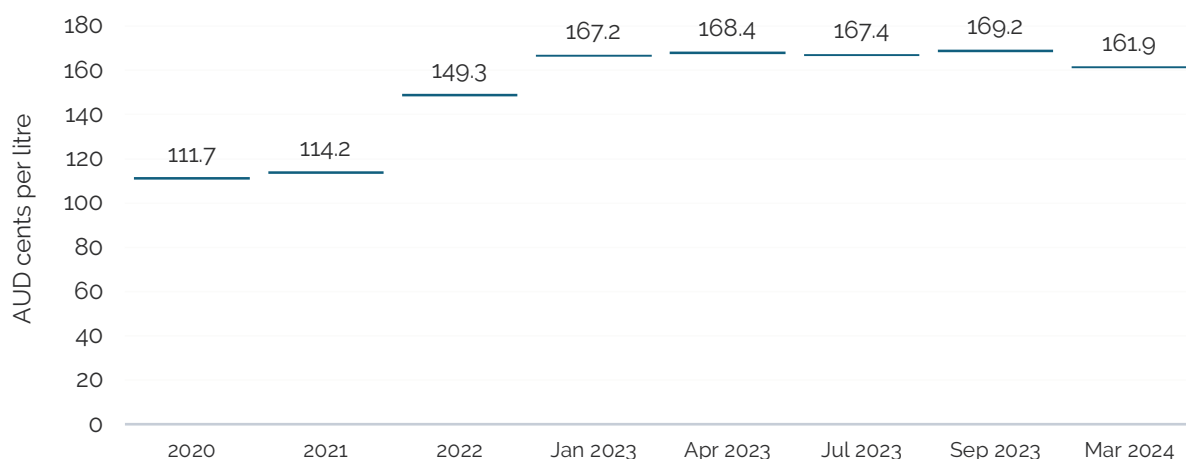
This paper provides our determination on the maximum prices from 1 March 2024, and seeks feedback on the impact of IPART's determined prices on the retail market for ethanol, and information on any other relevant changes in the retail and wholesale markets. Submissions are due by 30 April 2024.

1 Determination

IPART has determined that a reasonable wholesale price for fuel ethanol starting from 1 March 2024 is 161.9 cents per litre (excluding GST), down from 169.2 cents in September 2023 (Figure 1).

Appendix A provides details on the changes in the cost components.

Figure 1 Determined wholesale fuel prices for fuel ethanol (ex GST, \$nominal)



Note: Between 2020 and 2022 IPART determined the wholesale price annually. Due to significant price volatility following COVID, we made quarterly determinations over 2023. In September 2023, we decided to do 6-monthly updates as the ethanol price had stabilised. For more information on how often we set prices, please see our [September 2023 determination](#).
Source: IPART import price parity model.

2 How does the determined wholesale price impact the retail market?

Under the Biofuels Act, fuel sellers must ensure that ethanol accounts for at least 6% of the total volume of petrol sold in a quarter (the “ethanol mandate”). This means that 60% of fuel sales are required to be E10 (which is made up of 10% ethanol, and 90% unleaded fuel). However, this level has never been reached.

E10 sales across NSW have fallen from a high of around 39% of fuel sales in 2011 down to 22% in 2023.¹ The NSW Government has found that the ethanol mandate has not been met because of the low-price differentials between several types of fuel, and customer concerns about ethanol fuels.²

All of the retailers have [exemptions](#) from meeting the mandate on various grounds.³ For example, retailers can be exempt if they make a petrol-ethanol blend available and as accessible to customers as any other type of petrol.

One of the grounds for receiving an exemption is if ethanol producers sell ethanol into the market for more than the price determined by IPART.⁴ As outlined in the section below, we set the price of wholesale ethanol based on how much it would cost to import it from overseas (“the import parity price” or “IPP”). In previous review periods, this was higher than buying ethanol locally,⁵ largely because domestic excise rates are around 30% of the excise rate for imported fuel (currently around 16 cents for domestic excise compared to 50 cents for imported fuel).⁶

Since IPART began determining wholesale prices, only one exemption has been sought on the grounds that the wholesale price of ethanol has exceeded IPART’s determined price in August 2023.⁷ In response to a previous IPART review, the Australian Institute of Petroleum (AIP) submitted that retailers have sought exemptions based on the simpler exemption approaches around the availability of E10.⁸

2.1 How we set the price of wholesale ethanol

Our approach to determining a reasonable wholesale price for ethanol depends on the level of competition in the retail and wholesale markets. Where there is effective competition in one or both markets, we consider customers will be protected from excessive prices.

E10 competes with regular unleaded petrol (“U91”) and premium fuels. This limits the price that suppliers can charge for ethanol. If the wholesale price of ethanol is too high, the retail price of E10 would rise and customers would switch to other fuels.

Because of this competition in the retail market, we have set wholesale prices in line with the import parity price. This approach reduces the risk of the determined wholesale price being set too low, which could impact the financial viability of ethanol suppliers and discourage new entry.

We determine the import parity price based on a 9-month average (up until one month prior to the commencement of the pricing period) of weekly import parity price estimates, using the lowest cost origin for ethanol for each week from either the US or Brazil.^a

We adopted this approach in 2016 while considering the matters in the Biofuels Act, and extensive consultation with stakeholders. Since then, we have periodically reviewed our approach and sought stakeholder feedback.

Our methodology and why we consider this is the most appropriate approach is available on our [website](#).

We welcome your feedback on the following:



1. Is IPART's determined wholesale price of ethanol having an impact on the retail market for E10? If so, what is the impact?



2. How have the wholesale and retail markets for ethanol changed in recent years, including any changes to the competitive dynamics in these markets?

Have your say

Your input is critical to our review processes.

[Submit feedback »](#)

You can get involved by making a submission by
30 April 2024.

^a We use the 9-month average of all cost inputs except for fuel excise and wharfage, where we instead apply the rates that will apply at the beginning of the determination period.

A Changes in the determined wholesale price

The March 2024 determined price of 161.9 cents per litre is 7.3 cents or 4% lower than for the previous period. The fall in the price in March is mainly due to a significant reduction in the mill-gate price (see Table 1 and Figure 2).

The price model is available on our [website](#).

Table 1 Determined wholesale price for fuel ethanol from 1 March 2024 (AUD cents per litre, ex GST, \$nominal)

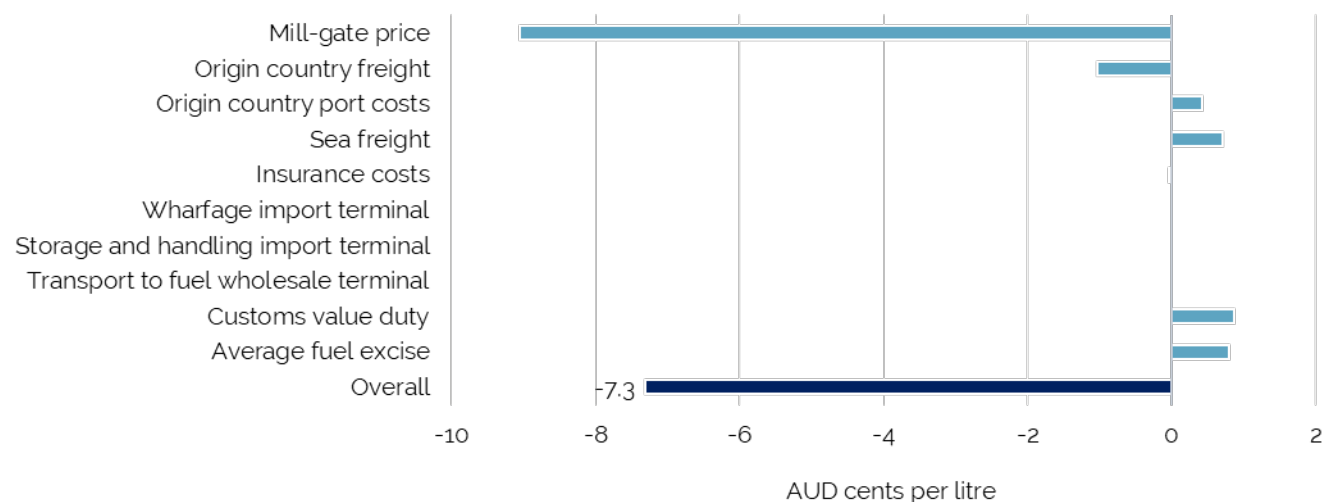
Cost component	1 Sep 2023	1 Mar 2024	Change	% of the index ^a
Total free on board (FOB) price	98.9	89.2	-9.7	55%
Mill-gate price	86.6	77.5	-9.0	48%
Origin country freight	8.0	6.9	-1.0	4%
Origin country port costs	4.4	4.8	0.4	3%
Total transit costs	19.7	20.4	0.7	13%
Sea freight	14.5	15.2	0.7	9%
Insurance costs	0.5	0.4	0.0	0%
Wharfage import terminal	0.2	0.2	0.0	0%
Storage and handling import terminal	3.0	3.0	0.0	2%
Transport to fuel wholesale terminal	1.5	1.5	0.0	1%
Total landing costs (taxes)	50.6	52.3	1.7	32%
Customs value duty	1.8	2.7	0.9	2%
Average fuel excise	48.8	49.6	0.8	31%
Total import parity price delivered to wholesale terminal (ex GST)	169.2	161.9	-7.3	100%

a. As at 1 March 2024.

b. Numbers may not add to totals due to rounding.

Source: IPART import parity price model.

Figure 2 Changes in the wholesale price components for March 2024 (ex GST)



Source: IPART import parity price model.

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- ¹ Department of Climate Change, Energy, the Environment and Water, *Australian Petroleum Statistics 2023*, accessed February 2024.
 - ² NSW Government, *Statutory Review –Biofuels Act 2007*, August 2020, p 2, accessed 31 March 2021.
 - ³ Department of Fair Trading, TBC.
 - ⁴ *Biofuels Act 2007 (NSW)*, s 9A (2)(c)(i).
 - ⁵ IPART, *Determining ethanol wholesale prices and monitoring the retail market for E10 - Final report*, pp 7 to 8.
 - ⁶ *Excise Tariff Act 1921*, 6H; Australian Taxation Office, *Excise duty rates for fuel and petroleum products*, last accessed 22 February 2024.⁷ Email from the Department of Fair Trading, 26 February 2024.
 - ⁸ AIP, submission to IPART Draft Report, 27 May 2021, p 3.