

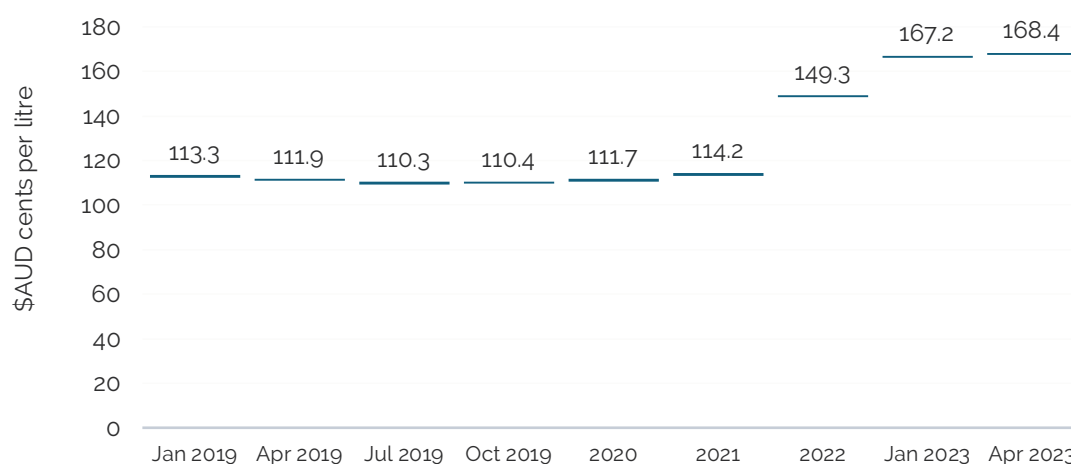
# Wholesale price for fuel ethanol from 1 April 2023

31 March 2023

## 1 Determination

The Independent Pricing and Regulatory Tribunal (IPART) has determined a reasonable wholesale price for fuel ethanol from 1 April 2023 of 168.4 cents per litre (excluding GST) as shown in Figure 1.

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



Source: IPART import price parity model

## 2 Changes in the determined wholesale price

The wholesale price that we determine is based on a 9-month average (to one month prior to the commencement of the pricing period) of weekly import parity price estimates based on the lowest cost origin for ethanol from either the US or Brazil.<sup>a</sup> We calculate this price in an excel model available on our [website](#).

<sup>a</sup> The exception is fuel excise; we now use the current fuel excise at the time of determination, instead of the 9-month average.

The April 2023 determined price of 168.4 cents per litre is 1.2 cents, or around 0.7%, higher than the determined price for the previous period of 167.2 cents per litre. This is mostly due to higher origin country freight, sea freight and fuel excise, offset by a slight fall in the mill-gate price (see Table 1 and Figure 2). For 60% of the nine-month IPP averaging period, Brazil was the lowest priced origin for wholesale ethanol.

Table 1 Determined wholesale price for fuel ethanol from 1 April 2023 (\$AU cents/L, ex GST, \$nominal)

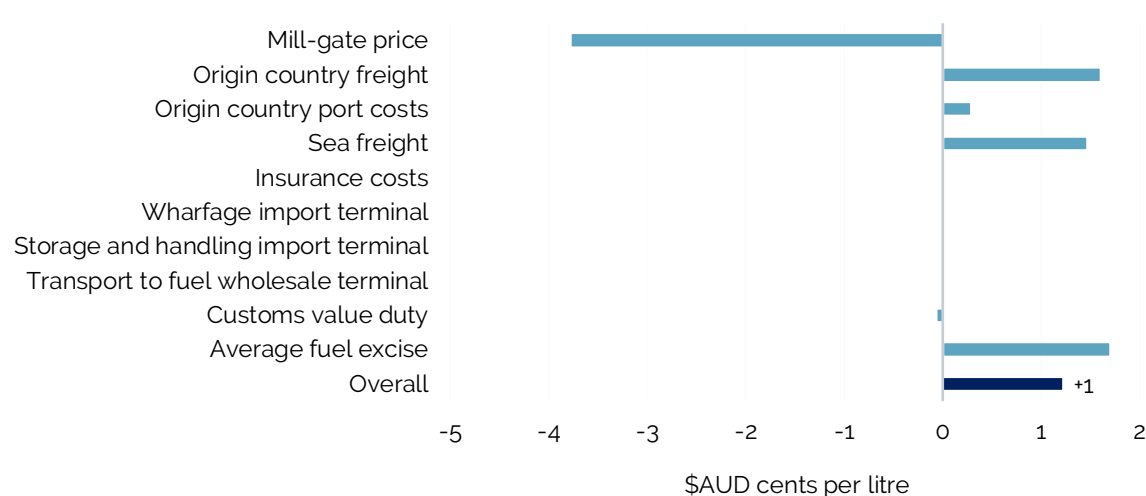
IPP Component	1 Jan 2023	1 Apr 2023	Change	% of index <sup>a</sup>
Mill-gate price	91.7	88.0	-3.8	52%
Origin country freight	5.2	6.9	1.6	4%
Origin country port costs	4.0	4.3	0.3	3%
<b>Total Free-on-board price</b>	<b>101.0</b>	<b>99.1</b>	<b>-1.9</b>	<b>59%</b>
Sea freight	12.4	13.9	1.5	8%
Insurance costs	0.5	0.5	0.0	0%
Wharfage import terminal (Sydney)	0.2	0.2	0.0	0%
Storage and handling costs - import terminal	3.0	3.0	0.0	2%
Transport from port to fuel wholesaler's terminal	1.5	1.5	0.0	1%
<b>Total transit costs</b>	<b>17.6</b>	<b>19.0</b>	<b>1.5</b>	<b>11%</b>
Customs value duty	2.6	2.6	-0.1	2%
Average fuel excise	46.0	47.7	1.7	28%
<b>Total landing costs (taxes)</b>	<b>48.6</b>	<b>50.3</b>	<b>1.6</b>	<b>30%</b>
<b>Total IPP delivered to wholesale terminal (ex GST)<sup>b</sup></b>	<b>167.2</b>	<b>168.4</b>	<b>1.2</b>	<b>100%</b>

a. As at 1 April 2023

b. Numbers may not add due to rounding

Source: IPART import parity price model

Figure 2 Changes in the wholesale price components from April 2023 (ex GST)



Source: IPART import pricing parity model

### 3 Why we set the wholesale price for ethanol

Under the *NSW Biofuels Act 2007* (Biofuels Act), fuel sellers must ensure that 6% of fuel sold is ethanol. This means that 60% of fuel sales are required to be E10 (which is made up of 10% ethanol, and 90% unleaded fuel).

Fuel sellers can be exempt from this requirement on various grounds. Since 2017, one of the grounds of exemption is that the wholesale price of fuel ethanol paid by retailers exceeds the [reasonable wholesale price determined by IPART](#).

### 4 How we set prices

Our approach to determining wholesale prices depends on the level of competition in the retail and wholesale markets. Where there is effective competition in one or both of these markets, it will protect customers from excessive prices.

In the NSW retail market, around 23% of the fuel sold was E10 in 2022.<sup>1</sup> E10 competes with regular unleaded petrol ("U91"), and premium fuels, which 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 relative to other fuels and customers would switch fuels.

Because this competition protects customers from excessive wholesale prices, we set wholesale prices based on an estimate of the market price of importing ethanol (the "import parity price" or "IPP"). 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 adopted this approach in 2016, taking into account the matters in the Biofuels Act, and after extensive consultation with stakeholders. Since then, we have periodically reviewed our approach and sought stakeholder feedback.

More information on our methodology, and why we consider it is the most appropriate approach is available in our [2021 ethanol market monitoring report](#).

### 5 We will use the most recent fuel excise

Our approach applies the sum of the 9-month average of each cost component as our best estimate of the cost of importing ethanol for the current period. For fuel excise, we adopted a new approach in January 2023 to use the excise rate at the time that we publish the determination, rather than the historical average. We will maintain this approach because it better reflects the cost of fuel excise for the current period. Stakeholders agreed with this approach.

## 6 We will release quarterly determinations to better align with fuel excise adjustments

We consulted on whether we should revert to quarterly determinations, after publishing annual determinations since 2020. Manildra agreed, submitting that the annual 2022 determination inadequately accounted for commercial realities of fuel ethanol production over the course of the year. Conversely, the Australian Institute of Petroleum (AIP) preferred the retention of annual determinations as it anticipated reduced market volatility. However, it also submitted that biannual updates would be appropriate to align with CPI-adjustment of fuel excise. We will publish quarterly determinations in the short to medium term due to the increased volatility in mill gate prices. This will allow us to monitor changes in cost components and reflect recent market conditions in the determined price.

The ATO publishes CPI-adjusted fuel excise from 1 February and 1 August every year. We will transition the timing of our price determinations in 2023 to better align with these updates. Our next determination will be in July 2023.

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<sup>1</sup> [Australian Petroleum Statistics – Data Extract December 2022](#), January to December 2022, accessed 15 March 2023.