

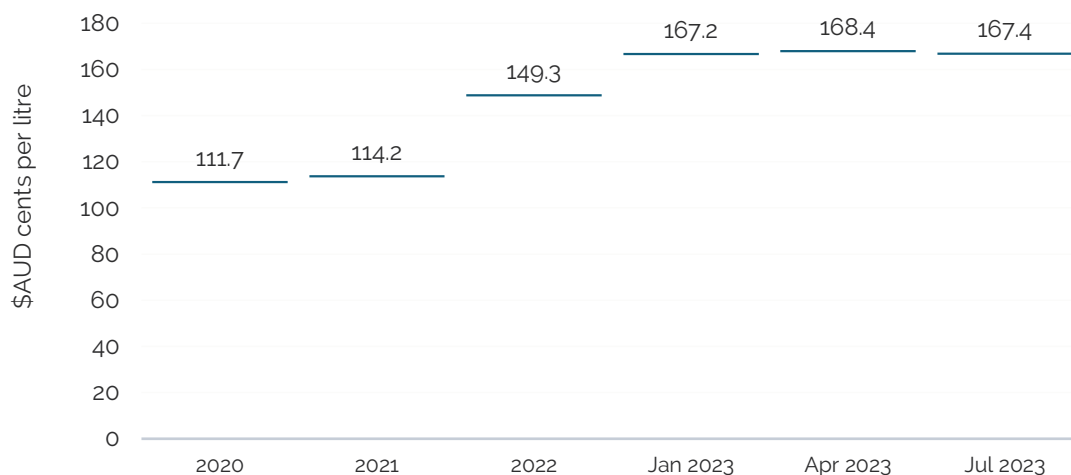
Wholesale price for fuel ethanol - 1 July 2023

19 June 2023

1 Determination

The Independent Pricing and Regulatory Tribunal (IPART) has determined a reasonable wholesale price for fuel ethanol from 1 July 2023 of 167.4 cents per litre (excluding GST) (Figure 1).

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



Note: Between 2020 and 2022 IPART determined the wholesale price annually rather than quarterly.
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.^a We calculate this price in an excel model available on our [website](#).

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

The July 2023 determined price of 167.4 cents per litre is 1 cent, or around 0.6%, lower than the determined price for the previous period of 168.4 cents per litre. This is mostly due to a fall in the mill-gate price and customs value duty (see Table 1 and Figure 2). The customs duty was lower because the US has zero duty, and the USA was the lowest priced origin for wholesale ethanol for more of the Import Parity Price averaging period compared to last quarter (up from around 40% to around 50%).

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

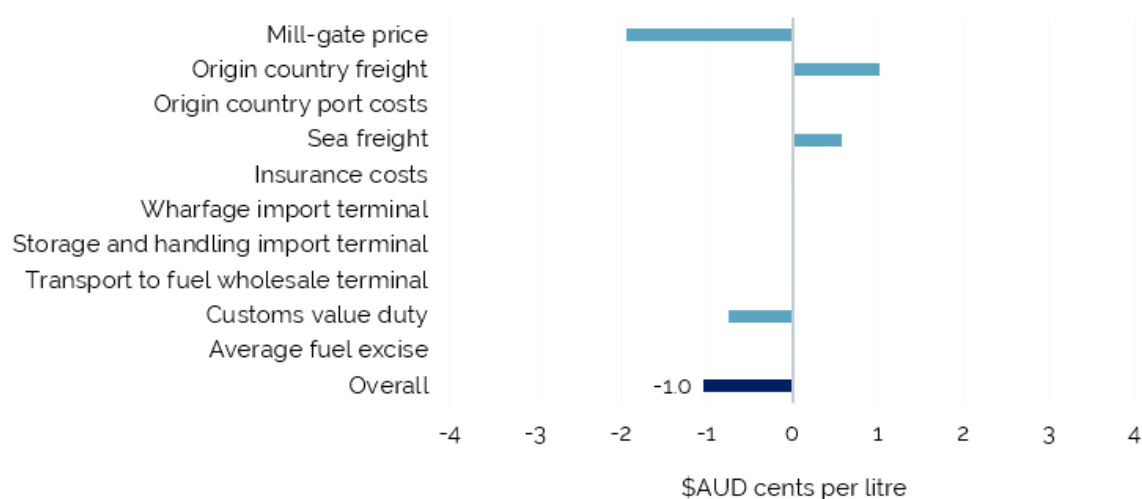
IPP Component	1 Apr 2023	1 Jul 2023	Change	% of index ^a
Mill-gate price	88.0	86.0	-1.9	51%
Origin country freight	6.9	7.9	1.0	5%
Origin country port costs	4.3	4.3	0.0	3%
Total Free-on-board price	99.1	98.2	-0.9	59%
Sea freight	13.9	14.4	0.6	9%
Insurance costs	0.5	0.5	0.0	0%
Wharfage import terminal (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%
Total transit costs	19.0	19.6	0.6	12%
Customs value duty	2.6	1.8	-0.7	1%
Average fuel excise	47.7	47.7	0.0	28%
Total landing costs (taxes)	50.3	49.5	-0.7	30%
Total IPP delivered to wholesale terminal (ex GST)^b	168.4	167.4	-1.0	100%

a. As at 1 July 2023

b. Numbers may not add due to rounding

Source: IPART import parity price model

Figure 2 Changes in the wholesale price components for July 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 2022.¹ 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](#).

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