

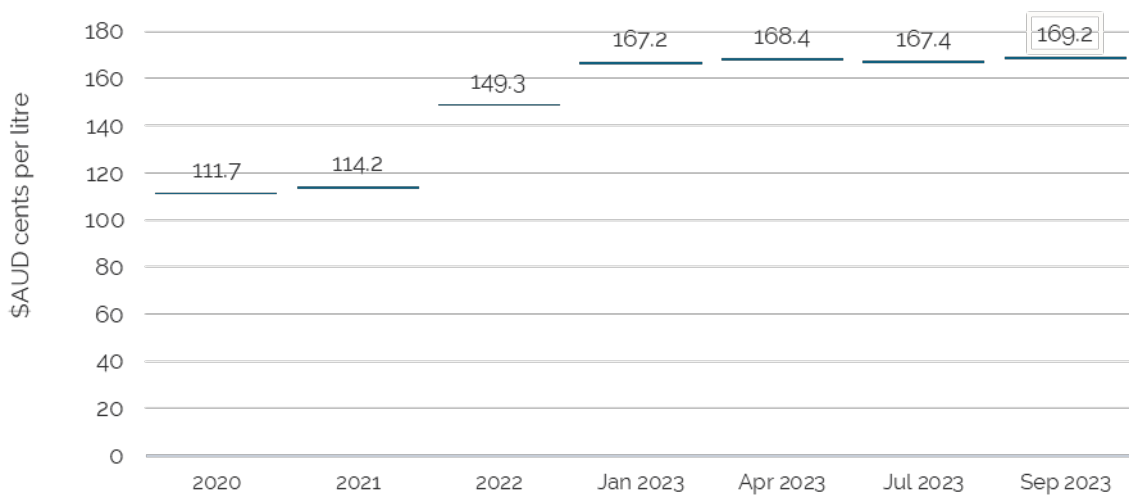
Wholesale price for fuel ethanol – 1 September 2023

28 August 2023

1 Determination

The Independent Pricing and Regulatory Tribunal (IPART) has determined that a reasonable wholesale price for fuel ethanol starting from 1 September 2023 is 169.2 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 is determined based on a 9-month average (up until one month prior to the commencement of the pricing period) of weekly import parity price estimates, which is based on the lowest cost origin for ethanol from either the US or Brazil.^a The price model is available on our [website](#).

^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.

The September 2023 determined price of 169.2 cents per litre is 1.9 cents, or around 1%, higher than 167.4 cents per litre which was the determined price for the previous period. This increase is due to a small rise in the mill-gate price and fuel excise (see Table 1 and Figure 2). Brazil's mill-gate price was the lowest priced origin for wholesale ethanol for about 50% of the Import Parity Price averaging period. The fuel excise increased by 1 cent in August 2023.

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

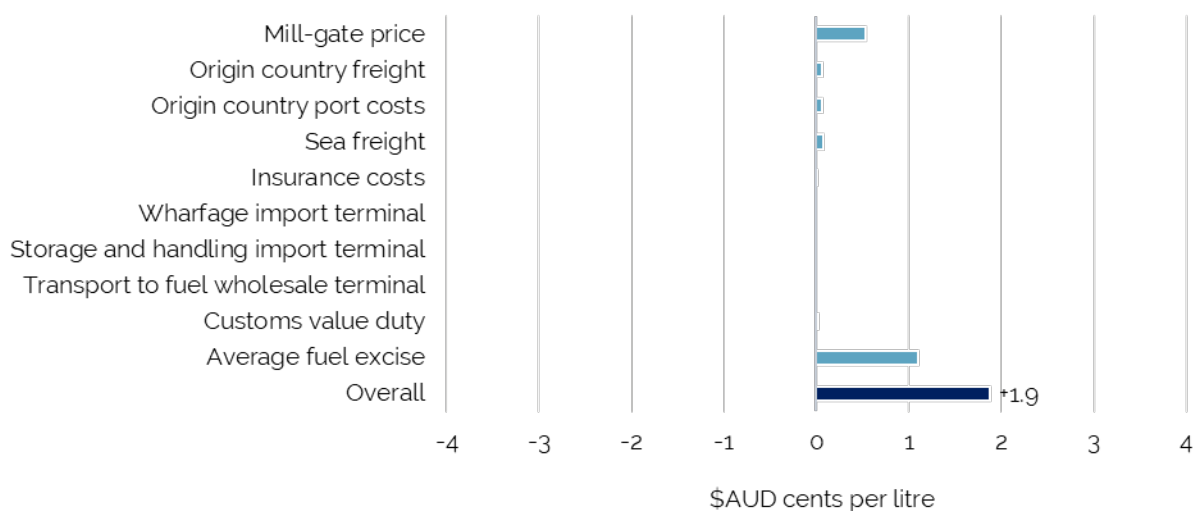
IPP Component	1 Jul 2023	1 Sept 2023	Change	% of index a
Mill-gate price	86.0	86.6	0.5	51%
Origin country freight	7.9	8.0	0.1	5%
Origin country port costs	4.3	4.4	0.1	3%
Total Free-on-board price	98.2	98.9	0.7	58%
Sea freight	14.4	14.5	0.1	9%
Insurance costs	0.5	0.5	0.0	0%
Wharfage import terminal (Sydney)	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	19.6	19.7	0.1	12%
Customs value duty	1.8	1.8	0.0	1%
Average fuel excise	47.7	48.8	1.1	29%
Total landing costs (taxes)	49.5	50.6	1.1	30%
Total IPP delivered to wholesale terminal (ex GST) b	167.4	169.2	1.9	100%

a. As at 1 September 2023.

b. Numbers may not add due to rounding.

Source: IPART import parity price model.

Figure 2 Changes in the wholesale price components for September 2023 (ex GST)



Source: IPART import parity price 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 a reasonable wholesale price depends on the level of competition in retail and wholesale markets. Where there is effective competition in one or both of these markets, customers will be protected from excessive prices.

In the NSW retail market, around 22% of the fuel sales were E10 in 2023.¹ 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.

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 while taking into account 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](#).

5 Our next determination will apply from 1 March 2024

Previously, we had published quarterly determinations between 2018 and 2019. We changed to annual determinations between 2020 and 2022 due to very little change in the determined price.

Due to increased volatility in prices following COVID-19 and the war in Ukraine, we consulted with stakeholders on the frequency of our determinations in early 2023. Submissions by:

- The [Manildra Group](#) supported quarterly price determinations, commenting that it would more accurately reflect the forward-looking commercial realities of importing fuel ethanol.
- The [Australian Institute of Petroleum](#) preferred the annual review cycle given that it expected the market to return to more normal patterns with reduced volatility. It supported a twice-yearly determination should IPART decide to determine the wholesale price more frequently.

From March 2023, we reverted to quarterly determinations. However, we have since observed that the rapid increase in mill-gate price and fuel costs in 2021 and 2022 appear to have stabilised. This has led to very little variation in the quarterly determined prices this year. We consider that determining prices 6-monthly is appropriate for the foreseeable future.

Our next determination will apply from March 2024.^b We will continue to monitor the market going forward.

¹ [Australian Petroleum Statistics – Data Extract June 2023](#), January to June 2023, accessed 16 August 2023.

^b Determining the wholesale price of ethanol in September and March each year closely aligns with a major cost change – the ATO's fuel excise indexation (occurring on 1 August and 1 February every year). Fuel excise is an important input to the overall ethanol wholesale price determination, representing about 30% of the final price.