

March 2019

DETERMINATION

The Independent Pricing and Regulatory Tribunal (IPART) has determined a reasonable wholesale price for fuel ethanol from 1 April 2019 to 30 June 2019 of **111.9 cents per litre** excluding GST.

We have made this determination under s17A(1)(a) of the *Biofuels Act 2007* (NSW) (*Biofuels Act*) and have considered the matters in s17A(2) of the *Biofuels Act*.

WHY

The *Biofuels Act* requires IPART to determine a reasonable wholesale price for fuel ethanol. The determined wholesale price forms part of the exemptions framework for the NSW ethanol mandate. We make determinations of the wholesale price on a quarterly basis.

WHO

Under the NSW ethanol mandate, volume fuel retailers are required to ensure that at least 6% of the total volume of fuel they sell is ethanol (sold in petrol-ethanol blend, such as E10).

The Minister may exempt a volume fuel retailer from complying with the ethanol mandate. One of the grounds for exemption is that the wholesale price of

ethanol for use in the production of petrol-ethanol blends exceeds the reasonable wholesale price determined by IPART.

HOW

Since January 2017 we have determined a reasonable wholesale price for fuel ethanol using an import parity price (IPP) methodology. We adopted this less-intrusive approach based on our finding that there is a high degree of consumer choice in retail fuels and competition in the supply of wholesale ethanol.

We consider that our approach minimises distortion in the market for fuel ethanol and provides scope for ethanol producers and fuel wholesalers to negotiate prices below our determined prices.

More information on the IPP methodology and why we consider it is the most appropriate approach is available on our website:¹ www.ipart.nsw.gov.au

Our IPP Excel model accompanies this fact sheet and is also available on our website.

WHAT NEXT

IPART expects to issue the next quarterly wholesale price determination in June 2019.

¹ *Monitoring of wholesale and retail markets for fuel ethanol 2017-18 – Final Report*, December 2018, Appendix A.

CHANGES IN THE DETERMINED WHOLESALE PRICE

The determined wholesale price for the second quarter of 2019 is 1.4 cents per litre lower than for the previous quarter. The lower IPP is due to changes in the 9-month average of the Free-On-Board (FOB) price, which decreased from 58.7 cents per litre to 57.0 cents per litre, as a result of a reduction in the mill gate price. Partly offsetting this change, were small increases in the following IPP components:

- ▼ Origin country freight costs increased from 7.6 cents per litre to 7.9 cents per litre
- ▼ Transit costs increased from 13.6 cents per litre to 13.7 cents per litre, as a result of changes in the exchange rate.
- ▼ The excise on imported fuel increased slightly from 41.0 cents per litre to 41.2 cents per litre.

Table 1 compares the determined wholesale price and IPP components for Quarter 2 2019 with Quarter 1 2019.

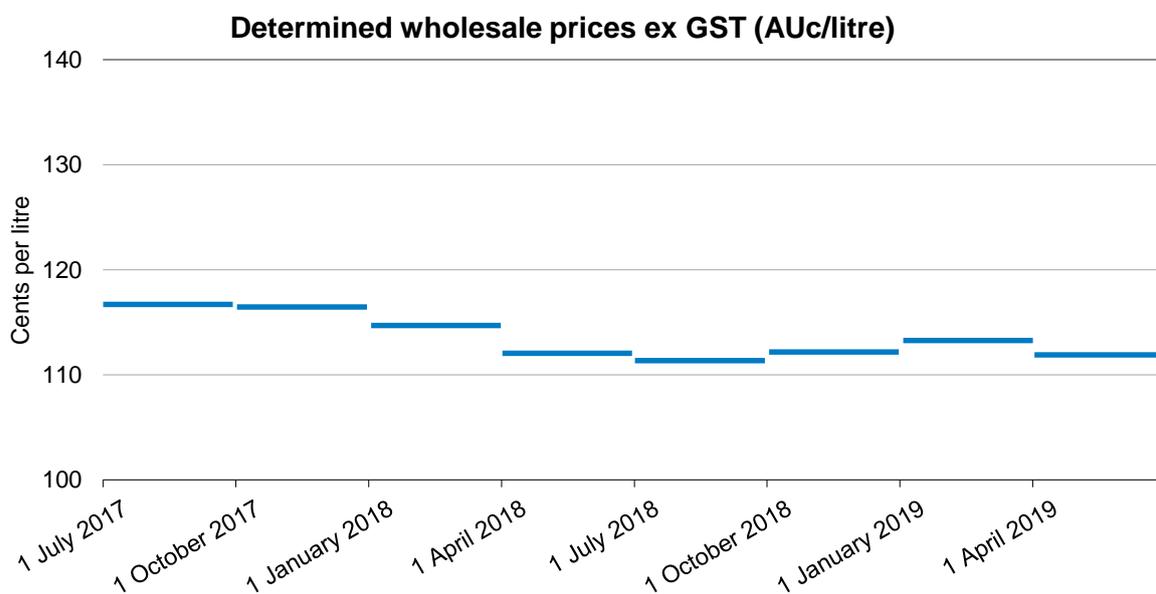
Table 1 Determined reasonable wholesale price for fuel ethanol compared with the previous quarter (ex GST, AUc/litre, \$nominal)

IPP Component	Q1 2019	Q2 2019
Mill gate price	47.7	45.7
Origin country freight	7.6	7.9
Origin country port charges	3.4	3.4
Total FOB price	58.7	57.0
Sea freight	8.6	8.8
Insurance costs	0.3	0.3
Wharfage import terminal (Sydney)	0.2	0.2
Storage and handling costs import terminal	3.0	3.0
Transport from port to fuel wholesaler's terminal	1.5	1.5
Total transit costs	13.6	13.7
Customs value duty	0.0	0.0
Customs fuel import duty	41.0	41.2
Total landing costs (taxes)	41.0	41.2
Total IPP delivered to wholesale terminal (ex GST)	113.3	111.9

Note: Totals may not sum due to rounding. The ethanol IPP is based on the lower of US and Brazilian ethanol prices in each relevant week.

Figure 1 shows the wholesale ethanol prices determined by IPART for each quarter over the past two years.

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



Source: IPART IPP Excel model