

# Wholesale price for fuel ethanol 2020

1 January 2020 to 31 December 2020

20 December 2019

## DETERMINATION

The Independent Pricing and Regulatory Tribunal (IPART) has determined a reasonable wholesale price for fuel ethanol from 1 January 2020 to 31 December 2020 of **111.7 cents per litre** excluding GST.

## WHY

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). However, the Minister may exempt a volume fuel retailer from complying with the ethanol mandate on various grounds.

Since 2017, 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. Therefore from January 2017, IPART has been required to determine a reasonable wholesale price for ethanol under s17A(1)(a) of the [Biofuels Act 2007](#) (NSW) (*Biofuels Act*).

## HOW

We determine a wholesale price for fuel ethanol in line with what it would cost retailers if they had to buy it from overseas (the import parity price or IPP). It is based on a nine-month average (to one month prior to the commencement of the pricing period) of weekly IPP estimates based on the lowest cost origin for ethanol from either the US or Brazil.

We adopted this approach in 2016 after extensive consultation with stakeholders, and taking into account the matters in the Biofuels Act. It is based on our findings that there is a high degree of consumer choice in retail fuels. There is also some competition in the supply of wholesale ethanol. This approach should minimise distortion in the market for fuel ethanol and provides scope for ethanol producers and fuel wholesalers to negotiate prices below our determined prices.

In previous years we have determined wholesale prices quarterly. We will now be determining the price of ethanol annually to reduce some of the regulatory costs associated with the ethanol mandate, given that our determined prices have been fairly stable and our price has not been used when applying the exemption framework for meeting the ethanol mandate. For more information please see our [2018-19 ethanol price monitoring report](#).

More information on the IPP methodology and why we consider it is the most appropriate approach is available in our [2017-18 ethanol market monitoring report](#).

This determination is accompanied by an IPP Excel model that we use to calculate the reasonable price for ethanol.

## CHANGES IN THE DETERMINED WHOLESALE PRICE

The determined wholesale price for 2020 is 1.3 cents per litre higher than the previous period. Over half of the increase was due to the change in the mill-gate price, and the rest was due to small increases in a number of other cost components (Table 1, Figure 1).

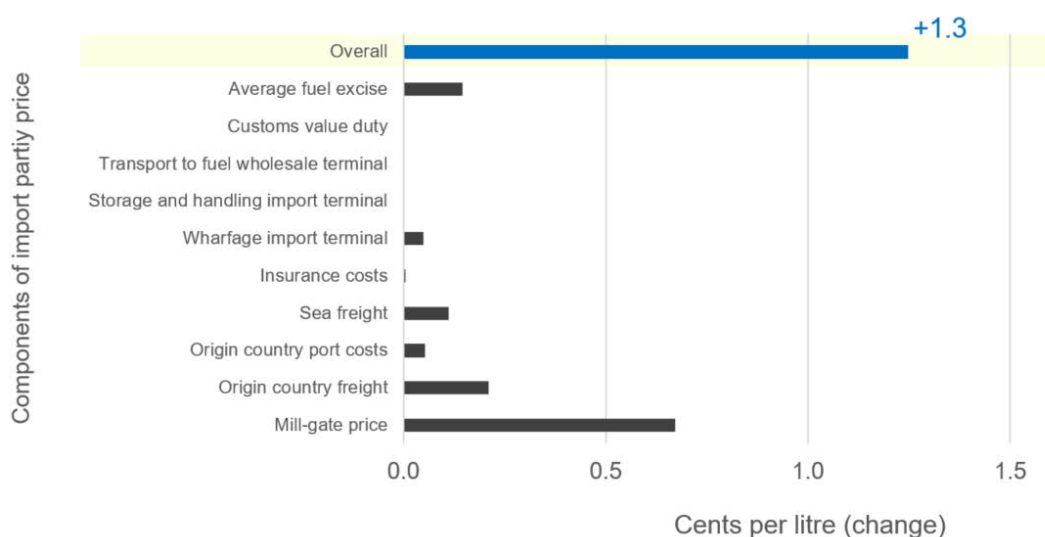
For the entire 9-month averaging period underlying the 2020 IPP, the US was the lowest priced origin for wholesale ethanol. This was unchanged from the previous two years.

**Table 1** Determined reasonable wholesale price for fuel ethanol compared with the previous period (ex GST, \$AU c/litre, \$nominal)

IPP Component	1 Oct 2019	1 Jan 2020	Change
Mill gate price	42.9	43.6	0.7
Origin country freight	8.6	8.9	0.2
Origin country port charges	3.5	3.6	0.1
<b>Total Free-on-board price</b>	<b>55.1</b>	<b>56.1</b>	<b>0.9</b>
Sea freight	8.9	9.0	0.1
Insurance costs	0.3	0.3	0.0
Wharfage import terminal (Sydney)	0.2	0.2	0.0
Storage and handling costs import terminal	3.0	3.0	0.0
Transport from port to fuel wholesaler's terminal	1.5	1.5	0.0
<b>Total transit costs</b>	<b>13.8</b>	<b>13.9</b>	<b>0.2</b>
Customs value duty	0.0	0.0	0.0
Customs fuel import duty	41.5	41.7	0.1
<b>Total landing costs (taxes)</b>	<b>41.5</b>	<b>41.7</b>	<b>0.1</b>
<b>Total IPP delivered to wholesale terminal (ex GST)</b>	<b>110.4</b>	<b>111.7</b>	<b>+1.3</b>

**Note:** Numbers may not add due to rounding

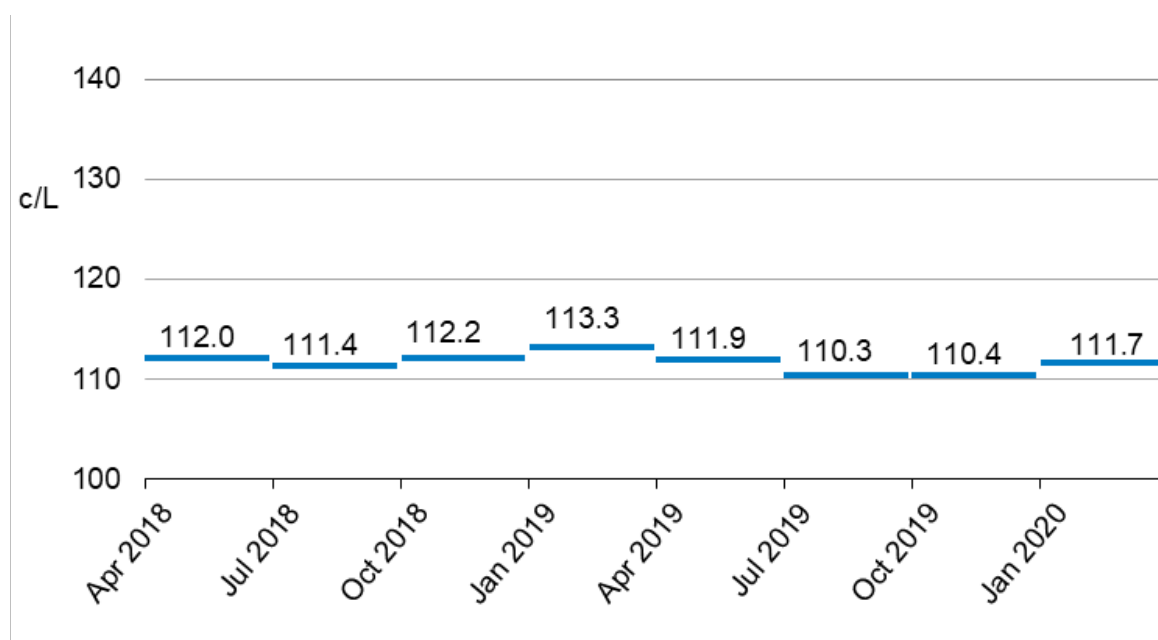
**Figure 1** Change in IPP components (January 2020 compared to previous period)



Source: IPART IPP Excel model.

Figure 2 shows the wholesale ethanol prices determined by IPART for each quarter over the past two years.

**Figure 2** Determined wholesale prices for fuel ethanol (\$AU, ex GST, \$nominal)



Source: IPART IPP Excel model.