

## DRAFT RECOMMENDATIONS ON WHOLESALE ETHANOL PRICES

**10am, Tuesday 25 October 2016**

The Independent Pricing and Regulatory Tribunal (IPART) is seeking feedback on draft recommendations on the wholesale price of ethanol used in automotive fuel blends like E10.

IPART has been asked to recommend a maximum price for wholesale ethanol as part of the NSW Government's ethanol mandate. The mandate requires that major fuel sellers ensure ethanol accounts for at least 6% of the total volume of petrol they sell in NSW each quarter.

IPART's draft recommendation on a maximum price is based on an import parity price (IPP), including excise, and would be updated every four weeks. This method currently results in a price of around 135 cents per litre, excluding GST, which is above market prices for wholesale ethanol.

IPART Chair Dr Peter Boxall said the draft recommendation is unlikely to affect the price of E10 at the pump.

"We don't expect ethanol prices will rise to the level of our recommended maximum price," he said.

“Consumers have a choice between E10 and regular and premium unleaded at most service stations in NSW. As E10 competes with regular and premium petrol, we expect market prices will remain below our recommended maximum.” The NSW Government recently launched the FuelCheck website which provides consumers with real-time price information covering every service station across NSW. <https://www.fuelcheck.nsw.gov.au>.

There are three ethanol producers in eastern Australia, with evidence of increasing competition between these producers, as well as emerging producers in the pipeline.

Dr Boxall said this competition, along with current low petrol prices, imposes a market constraint on wholesale ethanol prices.

“Effective competition in the wholesale market is the best way to support the availability of E10 to consumers and achieve the objective of a sustainable biofuels industry in NSW,” Dr Boxall said.

Under the draft recommendations, IPART would also monitor and report annually on the degree of consumer choice in the retail fuel market and the extent of competition in the wholesale ethanol market to ensure its approach remains appropriate.

A public hearing on the draft report and recommendations will be held in Sydney on 22 November. Submissions on the draft report are due by 25 November 2016 and the final report is due to the NSW Government by the end of December.

The Draft Report and a model to calculate the IPP is available on IPART's website <http://www.ipart.nsw.gov.au>.