



Biofuels Association
of Australia

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3 May, 2017

Independent Pricing and Regulatory Tribunal (IPART)
PO Box K35
Haymarket Post shop
NSW 1240

Monitoring of wholesale and retail markets for fuel ethanol in 2016-17
(Proposed approach)

Dear IPART

Thank you for the opportunity to again comment on the proposed approach for the monitoring of wholesale and retail markets for fuel ethanol 2016-17.

In answer to the questions raised in the discussion paper we provide the following information:

1. We are proposing to consider a range of indicators to assess the degree of consumer choice for retail fuel, such as the percentage of service stations that offer regular petrol in addition to E10. Are there other indicators than those proposed in section 2.1.1 that we should consider in assessing the degree of consumer choice for retail fuel?

We support the view that there is a relatively high degree of choice between RULP, PULP and E10. However, it should be noted that the fact that E10 is available at a service station does not mean it is easily accessible on the forecourt. The location of E10 can vary from service station to service station. In high traffic areas, there are retailers that may meet their overall mandate target but do not offer E10 at all. Not every bowser has E10 and in a busy forecourt this can make it difficult for a motorist wanting to fill up with E10. Further, while most cars can take E10, many motorists remain confused about whether their car is compatible (hopefully this will be addressed through the NSW Government education campaign). There is very little information at the point of sale about compatibility.

2. Have there been significant changes since mid-2016 in:
 - The availability of regular or premium unleaded fuels in NSW?
 - Factors likely to impact the availability of regular or premium unleaded fuels in NSW in the near term?

Our members are not aware of any changes in the availability of regular or premium unleaded fuels in NSW. Nor are they aware of factors likely to impact on the availability of these fuels.

3. We are proposing to consider a range of indicators in assessing the extent of competition in the wholesale ethanol market, such as the number of ethanol producers and their market shares. Are there other indicators than those proposed in section 2.1.2 that we should consider in assessing the level of competition in the wholesale ethanol market?

We believe the listed indicators used to assess competition in the wholesale ethanol market are appropriate.

4. Have there been significant changes since mid-2016 in:

- The level of competition in the wholesale ethanol market in NSW, including the number of producers or changes in market shares?
- Factors likely to impact the level of competition in the wholesale ethanol market in NSW in the near term, such as regulatory barriers or the availability of feedstock?

We are not privy to the commercial operations of our members. However, we do not believe there has been significant changes to the wholesale ethanol market since mid-2016. We have received inquiries about establishing ethanol plants in Australia from several entities, but these have not progressed from the planning stage. Regulatory uncertainty about the operation of the mandate remains a concern. Policy stability is critical to attracting further investment.

5. Have fuel wholesalers and ethanol producers continued to negotiate prices below our determined wholesale prices.

We do not have this commercial information, but we are not aware of any issue with negotiating prices below the IPART determined wholesale price.

6. Could improvements be made to the import parity price methodology without significantly impacting on the simplicity, transparency and predictability of the methodology?

We support the current import parity price methodology with the qualifications previously provided.

7. Does the US and Brazil remain the two most likely sources for ethanol if it were to be imported to Australia in 2018?

As stated, the current excise arrangements make it unlikely there will be any imports. However, there is increasing interest from India and Asia in the Australian market.

8. Do you agree with our proposed approach to monitoring the retail price for E10, including our proposal to compare the implied gross retail and wholesale margins on ethanol in E10 with those on regular petrol?

Yes, we generally agree with IPART's proposed approach. However, careful consideration needs to be given to potential market impediments and one-off changes which can impact one market over the other.

9. Are there other issues we should consider in monitoring the retail price of E10?

No.

Thank you for the opportunity to again participate in this process.

Your sincerely,



Mark Sutton
Chief Executive Officer