



MANILDRA GROUP

Commitment to Excellence

Independent Pricing and Regulatory Tribunal
PO Box K35
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24 November 2017

To whom it may concern,

Submission to the *Monitoring of wholesale and retail markets for fuel ethanol 2016-17 – Draft report*

Thank you for the opportunity to respond to Independent Pricing and Regulatory Tribunal's (IPART's) draft report, in relation to your role in the monitoring of wholesale and retail markets for fuel ethanol.¹

Manildra supports IPART's preliminary decision to continue with a light-handed approach to setting maximum price of wholesale ethanol, on the basis of its findings that:²

- the degree of consumer choice in the retail fuel market is relatively high with the availability of E10 becoming more widespread since the ethanol mandate was amended in January 2017 and with 92 per cent of service stations offering regular petrol; and
- there is ongoing competition between the three-major eastern Australian ethanol producers through 2016-17.

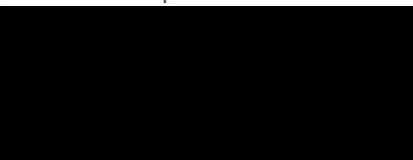
Manildra continues to be strong supporter of the mandate and the goal of encouraging the use of sustainably produced ethanol in NSW. To this point, we are disappointed to learn that the 75.8 per cent of the Volume Fuel Retailers subject to the mandate applied for and were granted exemptions from meeting the mandate in the first half of 2017.³ Although we acknowledge that exemptions are a necessary transitional measure, the Act has been operational since 2007, we would contest that this is ample time for transition.

Manildra also supports IPART's preliminary decision to continue with an implied import parity price methodology to determine the wholesale price of ethanol. However, we maintain that there are significant limitations with estimating an implied IPP from a spot ethanol mill-gate price – whether sourced from the US or Brazil.

In our opinion, these limitations counsel against calculating the IPP on the lowest sourced ethanol (either US or Brazil) at any point in time. Manildra maintains that the more appropriate approach is one that calculates the implied IPP using the average of US and Brazilian sourced ethanol.⁴

Yours sincerely

John Honan
Managing Director
Manildra Group



¹ IPART, *Monitoring of wholesale and retail markets for fuel ethanol in 2016-17 | Draft report*, October 2017 (the "draft report").

² IPART, *Monitoring of wholesale and retail markets for fuel ethanol in 2016-17 | Draft report*, October 2017, pages 7 & 12.

³ NSW Parliament, Budget Estimates 2017-2018 – Supplementary Questions, Portfolio Committee No. 1 – Premier and Finance, Innovation and Better Regulation – Hearing: Monday 4 September 2017, Answers due by: Thursday 28 September 2017, p. 38.

⁴ See Manildra, *Submission to the Monitoring of wholesale and retail markets for fuel ethanol – Issues Paper*, 28 April 2017.