

16 March 2017



WHAT

Under the *Biofuels Act 2007 (NSW)*, the Independent Pricing and Regulatory Tribunal (IPART) is required to determine a wholesale price for fuel ethanol, which forms part of the exemptions framework for the ethanol mandate.

This Determination sets out the wholesale ethanol price we have determined for the second quarter (Q2) 2017 (1 April 2017 to 30 June 2017), and outlines the reasons for the change in the price since the first quarter (Q1) 2017 (1 January 2017 to 31 March 2017).



WHY

A volume fuel retailer may be exempted from complying with the mandate to sell 6% ethanol if the wholesale price of the ethanol in their petrol-ethanol blends (such as E10) exceeded the price determined by IPART.



HOW

The wholesale price is determined using our import parity price (IPP) methodology developed after extensive consultation in 2016. Our IPP methodology results in a price that should not distort the ethanol market. Ethanol producers and fuel wholesalers would continue to negotiate wholesale ethanol prices below our determined price.

The methodology uses a nine-month average estimate of import parity prices for ethanol sourced from either the US or Brazil, whichever is the lowest cost at any point in time.

The full IPP methodology is detailed in Chapter 4 and Appendix C of our report *Review of a maximum price for wholesale ethanol in automotive fuel blends – Final Report December 2016*, available on our website www.ipart.nsw.gov.au.

Our IPP Excel model is also available on our website. Stakeholders can use this tool to calculate the price themselves.



PRICE

IPART has determined that the wholesale price for fuel ethanol from 1 April 2017 to 30 June 2017 is **AU 116.6 cents per litre excluding GST**. We have considered the matters in s17A(2) of the Biofuels Act in determining this price.

The Q1 2017 price was AU 115.2 cents per litre excluding GST.



CHANGES

Our Q2 2017 wholesale price is marginally higher than in Q1, as:

- ▼ Free-On-Board price of US ethanol increased from AU 61.4 cents per litre to AU 62.7 cents per litre.
- ▼ The 9-month average fuel excise applicable to imported fuel ethanol, increased from AU 39.5 cents per litre to AU 39.6 cents per litre.

Transit costs did not change.

Table 1 overleaf compares the IPP components for Q1 2017 and Q2 2017.



WHAT NEXT

IPART will continue to publish quarterly the updated wholesale ethanol prices. The update for the third quarter 2017 (1 July 2017 to 30 September 2017) will be published mid-June 2017.

Table 1 IPART's determined wholesale prices for fuel ethanol (ex GST, AUc/litre, \$nominal)

IPP Component	Q1 2017	Q2 2017
Mill gate price	50.8	52.1
Origin country freight	7.3	7.4
Origin country port charges	3.2	3.2
Total FOB price	61.4	62.7
Freight (sea)	9.3	9.3
Insurance costs	0.3	0.3
Wharfage 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	14.3	14.3
Customs value duty	0.0	0.0
Customs fuel import duty	39.5	39.6
Total landing costs (taxes)	39.5	39.6
Total IPP delivered to wholesale terminal (ex GST)	115.2	116.6

Note: Totals may not sum due to rounding.