

MEDIA RELEASE

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Fuel grade ethanol consumption hit by six year slump: major biofuels industry report

Highlights

- **Fuel grade ethanol consumption at six year low**
- **Bio-based diesel consumption plummets - industry collapses**
- **New Queensland ethanol mandate implemented in 2017**
- **Tougher NSW ethanol mandate in 2017**
- **Federal Government biofuel support mechanisms – overhaul overdue**
- **Australian innovators continue to invest in advanced biofuels**

Australian motorists shunning the use of “green” fuel-grade ethanol to power their vehicles have driven a six-year consumption slump, according to a leading report on the nation’s biofuel industry.

As a result, total annual consumption of fuel-grade ethanol in 2016 dropped more than 95 megalitres (ML) - its lowest level from its peak of 319 ML in 2010-11.

Demand for all biofuels also slumped significantly in 2015-16 to 255 ML – a decrease of 63% on the previous year driven primarily by the sharp decline in biodiesel consumption in Australia.

These are some of the key findings of *Australian Biofuels 2017* - a comprehensive annual review of all commercial, economic and policy developments currently affecting the Australian biofuel industry.

“Australian motorists have been shunning ethanol blended fuel by switching to other grade fuels or seem unconvinced of the benefits of E10 (10% ethanol blended with petrol),” *Australian Biofuels 2017* co-author and APAC Biofuel Consultants Joint Chief Executive Officer, Mr Mike Cochran, said today.

“But more startling, the report reveals the Australian biodiesel market is in freefall,” he said.

“Biodiesel supply in Australia fell by 92% - from 442 ML in 2014-15 to about 35 ML in 2015-16.

“For 2016, we estimate Australia’s biodiesel production/consumption to be around 15 ML – continuing the stunning decline of the industry.”

Mr Cochran said that by APAC's estimates, biofuels - as part of Australia's overall transport fuel mix - slipped from 1.4% (by volume) in 2014-15 to 0.5% in 2016. Globally, Australia makes up around 0.2% of world ethanol and biodiesel production.

Ethanol push

The report reveals "signs of increasing ethanol consumption" in Queensland following a state government 3% ethanol mandate coming into effect from January this year.

"At the same time, to stem declining demand for ethanol blended fuels under its 2007 legislation, the NSW Government last year controversially amended its mandate, placing the responsibility on retailers (previously primary wholesalers) to meet its 6% ethanol mandate," Mr Cochran said.

"It is still questionable whether the NSW mandate has generated new regional development or created additional regional jobs as was intended," he said.

Further criticism came from the recent Australian Productivity Commission's (Federal Government agency) review into the Australian agriculture sector in 2016. The Commission recommended the removal of ethanol mandates and excise arrangements as these policies "have negligible environmental benefits and come at a high cost".

Federal Government support schemes – an overhaul is overdue

The *Australian Biofuels 2017* report also levels criticism at the biofuel industry's and Federal Government's support schemes.

It says that between 2006 and 2015, the Federal Government paid out \$1.35 billion in grants to the ethanol and biodiesel/renewable diesel industries.

"We would argue that the Australian industry currently has little to show for that expenditure," Mr Cochran said.

"The recent collapse of the Australian biodiesel industry is further evidence that the Federal Government's biofuel support schemes need to be overhauled if they are to provide more effective and sustainable support to the industry," he said.

"One area requiring urgent review relates to the application of excise on biofuels.

"In Australia, all fuels - except ethanol and biodiesel - are treated as 'excise equivalent goods'....that is, the same Customs Duty/excise rate applies to both imports and domestic production.

"However, domestically-produced ethanol and biodiesel receive concessional excise rates, whereas the full standard (petrol/diesel) excise rate is applicable to biodiesel and ethanol imports.

"Imposing the full excise on biodiesel imports in mid-2015 was the largest single factor contributing to the recent decline of the Australian biodiesel market.

"Making biofuel imports 'excise equivalent' would need to be part of any overhaul of support schemes."

Advanced biofuels making progress in Australia

Australia is progressing with some advanced biofuel projects (projects that produce fuels from non-food related feedstocks), the report reveals.

Late last year, the Queensland Government launched its Biofuels Acceleration Program which aims to support new bio-refinery opportunities within the state.

Southern Oil Refining's (SOR) construction of a \$15m bio-refinery facility in Gladstone (with ARENA support) is leading the pack.

In 2016, Virgin Airlines and Air NZ called for expressions of interest to investigate options for locally produced, aviation bio-based, drop-in jet fuel as an opportunity to reduce emissions and build a long-term fuel security for the sector.

Virgin has confirmed strong interest in the concept and it is now a work in progress.

APAC Biofuel Consultants is a joint venture between EnergyQuest and Ecco Consulting.

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