



Gavin Binmore

Australasian Shipping Manager

BP Australia Pty Ltd
ABN 53 004 085 616
717 Bourke Street
Docklands Vic 3008
AUSTRALIA

Tel: +61 3 9268 3270
Fax: +61 3 9268 3426
www.bp.com.au

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Committee Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Re: Inquiry to the Coastal Trading (Revitalising Australian Shipping) Bill 2012 and related bills

Thankyou for the opportunity for BP Australia Pty Ltd (BP) to comment on the shipping reform package recently developed by the Department of Infrastructure and Transport (the Department). This submission specifically provides feedback on *The Coastal Trading (Revitalising Australian Shipping) Bill 2012*.

BP operates Australian-licensed vessels supplemented with the use of Single Voyage Permits (SVPs). The resulting flexibility is a key enabler for the Australian hydrocarbon shipping sector to ensure continuity of physical supply of fuel across Australia and to optimise the performance of our Australian refineries and terminal infrastructure.

BP acknowledges the intent of the Bill is to promote a viable Australian shipping industry and as such we have focussed our efforts throughout the Department's consultation process to ensuring the unique shipping practices of the hydrocarbon sector are incorporated into the Bill.

The importance of the hydrocarbon sector's need to flexibly supply Australia's energy requirements cannot be understated.

We believe the Bill as drafted is workable, though are concerned about several aspects outlined overleaf.

I am happy to provide further information to the Committee if required.

Yours sincerely,

Gavin Binmore
Australasia Shipping Manager
BP Shipping

General Licence holders should not be able to contest segments of hydrocarbon sector shipping

BP transports hydrocarbons from one source location to multiple destinations as a single journey that is part of a complex supply chain. In permitting General Licence (GL) holders to contest a voyage within a journey, the Bill does not adequately recognise the shipping practices of the hydrocarbon sector.

Any 'segmentation' of a hydrocarbon journey (or cargo), may have the following consequences:

- A higher level of operational and environmental risk as vessel numbers and hydrocarbon loading activity (including vessel transfers) increase needlessly;
- A reduced ability for the hydrocarbon sector to urgently respond to energy needs in a particular location, based upon a potential GL holder 'cherry picking' port locations; and
- Higher transportation costs which will either be passed to consumers or, potentially, render parts of a supply chain uneconomical.

We suggest an amendment to the Bill to prevent GL holder contest for a particular voyage or cargo in the circumstance where shipping supply chains are integrated (as they are in the hydrocarbon sector). This amendment would ensure the efficiency of Australian shipping as part of the national transport system (an object of the Bill) is also fulfilled.

Requirement for an 'urgent variation' provision

It is critical the hydrocarbon sector is able to quickly divert cargos to meet changing supply and demand levels to maintain Australia's energy security. These occurrences¹ may take place within a 24 hour period *after* a vessel has departed and the Bill currently has no provision for meeting this need.

We suggest inclusion of an 'urgent variation' provision that expedites approval in circumstances that meet transparent criteria such as the maintenance of energy security or prevention of economic hardship.

The importance of the variation provisions as drafted

The Bill's variation provisions which allow changes to an authorised voyage to be processed within 2 business days, and variation of new matters to be processed within 7 business days **are critical inclusions** to ensure flexibility in the hydrocarbon sector.

This provides for pre-voyage changes to be made on matters such as voyage dates, cargo volumes, and load / unload ports – all of which are susceptible to change until the latest possible time in order to quickly respond to changing energy supply and demand levels and optimise Australia's liquid-fuels infrastructure.

The importance of tolerances for authorised voyages

BP supports the tolerances for authorised voyages in the Bill. We believe these threshold levels not only provide critical flexibility in a transparent manner, but will significantly reduce administrative burden on market participants and the Department.

¹ Examples can be provided in detail to the Committee

Transitional period should be extended to 6 months

Based on the need for the shipping industry and the Department to understand, plan and implement legislation that may not be confirmed until late June, we suggest a transitional period of 6 months be provided in *The Coastal Trading (Revitalising Australian Shipping) (Consequential Amendments and Transitional Provisions) Bill 2012*.