

15 August 2012

Attention: Patrick Hodder
Research Estimates Officer
Department of the Senate

Shell in Australia Limited submission to:

Low Aromatic Fuel Bill 2012

A Bill for an Act to promote the supply of low aromatic fuel and control the supply of other fuels in certain areas, and for related purposes.

Thank you for the opportunity to put forward a submission to the Low Aromatic Fuel Bill 2012.

Shell supports the stated Object of the Act to “reduce potential harm to the health of people living in certain areas from sniffing fuel”. Shell would also like to acknowledge the significant effort from the Department of Health and Aging in rolling out low aromatic fuels to date and for their work with local communities on complementary initiatives to curb petrol sniffing.

Shell understands the intent of the Bill is to further encourage the broader roll out of low aromatic fuels in identified communities where regular unleaded petrol (RULP) is available. Shell also understands that the Minister will have the capacity to:

- After a period of community consultation declare a “low aromatic fuel area” or a “fuel control area”; and
- Determine requirements relating to the supply, transport, possession or storage of a fuel in, or in relation to, a low aromatic fuel area or a fuel control area.

These declarations would effectively amount to a mandate for low aromatic fuel in these areas.

Shell generally opposes mandates due to the market distortions and unintended consequences they promote (as we have seen in NSW with the mandate for biofuels). However we can appreciate the need for governments to develop appropriate policy responses in regard to public health matters such as seeking to further address petrol sniffing in remote and indigenous communities. Mandates however do not equal consumer acceptance and regardless of the outcome of the Bill, we would certainly encourage the work by the Department of Health and Ageing to continue in rolling out plans to gain community and stakeholder acceptance of low aromatic fuels as well as the introduction of complementary initiatives to curb petrol sniffing.

Additionally, as low aromatic fuel is a more expensive fuel to manufacture and, based on the original aim to supply this fuel to communities at the same cost as RULP, then we would support the current production subsidy to remain in place.

On that basis Shell is impartial to the Bill's policy mechanism.

We would like however to raise a number of comments with the content and possible implementation of the Bill:

1. **Supply security** – in the event of a mandate there is less complexity in the supply chain. Communities within the defined areas are challenging to supply as there are fewer supply points, less tankage available and they are often in remote locations. Therefore, in a mandate environment where you only have to supply one 91 octane fuel the supply chain will be less complex and potentially offer improved supply security.
2. **All customers required to take low aromatic in these areas** – According to the Bill, the production subsidy arrangements would have to be expanded to cover all fuel sold (that is, fuel sold to both retail and commercial customers) within the defined areas. Shell would need assurances that the production subsidy arrangement would be maintained and expanded to cover all low aromatic 91 sold.
3. **Management of other grades of unleaded fuel** – Shell does not support the broad powers set out in Section 11 which could allow the Minister to limit supply of premium fuels. Shell would like clarity over the right for companies to maintain the overall product mix on sites, including premium fuels which have previously not been affected by the roll out of Low aromatic 91.
4. **Exemption framework** – Shell would like further clarity on the specific conditions and application around exemptions should they be required under this Bill particularly as this has currently been handled as a “demand” driven product.
5. **Labelling** – in the event that due to a supply disruption low aromatic was not available and RULP was being supplied, Shell would need clarity around labeling and the need to advise consumers of the change in product as there understand there would ACCC implications for failing to do so.
6. **Consistency** - If a mandate is to apply then it has to be consistent across all outlets particularly those in “border” locations. We have seen in NSW there has been an ability for some retail outlets to gain an exemption from selling E10 which has put them at a competitive advantage to other sites complying with the mandate.
7. **Affordability for Government** - We have a query around the affordability of a mandate as this would result in a much larger volume to be supplied and therefore a larger production subsidy required. As you would be aware, the cost to produce low aromatic is higher than that for producing RULP and as the stated aim is for low aromatic to be supplied to the market /consumers at a comparable price to RULP then a subsidy is required to bridge that gap.
8. **Roll-out and consumer/community/customer education** – Shell supports the current programme conducted by the Department to work with local communities on education and acceptance of low aromatic fuel prior to roll-out. Shell does not support the proposal for companies to take on sole responsibility for consumer education. Shell sees that fuel manufacturers and suppliers are a support to the Department on technical and fuel quality matters but that Government should take a leading role in consumer/community/customer education and the implementation of complementary initiatives to support health outcomes.

In summary, Shell is impartial to the Bill and would like further clarification on the matters raised. Shell supports the current programme to roll out low aromatic fuels into specified communities and the work being conducted by the Department of Health and Ageing in gaining community acceptance prior to roll out and for the complementary initiatives being put in place. Most of these actions we believe are critical to a successful roll-out of any fuel product and in the case of addressing a serious health issue, mandatory. Without community acceptance these programmes can never be fully successful.

I would be happy to discuss the contents of this submission or to answer any questions you have.

Yours sincerely,

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