



AWU Submission
**Inquiry into Australia's Oil
Refinery Industry**

November 2012





Inquiry into Australia's Oil Refinery Industry

Executive Summary

The Australian Workers' Union (AWU) welcomes the inquiry by the Standing Committee on Economics into Australia's refinery industry. The sector is of critical national interest underpinning future national growth prospects. The AWU is concerned that heroic assumptions have been made about the sustainability of the sector driven by assessments of future risks based on market theory rather than grounded in fact.

Assessment of Australia's future energy needs (including supply security) has occurred without adequate account for practical challenges ahead in both the supply landscape (including being able to respond to what we do not know) and diversification of the energy mix.

Corporate decisions taken by Shell and Caltex to close the Clyde and Kurnell refineries respectively have more to do with their own corporate strategies and not on the profitability of these particular operations.

The AWU has been at the forefront of those concerned at the reduction in local refining capacity following decisions to close both the Clyde and Kurnell plants in NSW. It has consequences that go well beyond reduced domestic supply of refined products to the contribution the industry makes to communities.

The Energy White Paper is in regard a "coping" strategy in the face of quite separate decisions by industry to cut refining capacity. On the other hand, an energy rich nation such as Australia should be aspiring to have a thriving, profitable refining sector. That is our aim. That is what the AWU is keen to work to achieve in cooperation with industry and government.

And we are not blind to the competitive pressures facing the sector that are covered by the Inquiry's terms of reference. The AWU is a believer in market forces allocating resources efficiently. However, market forces alone do not set the rules of the game when it comes to the refining industry. Governments around the world set the rules with a range of policies that impact the market.

The AWU is not naïve to assume that the oil refining industry is on a level playing field with the forces of supply and demand alone determining which refineries should thrive and which should not. Because it is a strategic product, many countries subsidise domestic refining capacity as industries of national importance.

Australia does not need to mirror these subsidies, but it should think strategically about how well developed capital infrastructure (now a sunk cost) can be adapted to



our future energy future as opposed to point-in-time decisions which, with unexpected or changed circumstances, we undervalue and live to regret.

The Energy White Paper aims to provide a roadmap for the future direction of Australian energy needs. However, the AWU believes that a number of strategic considerations have either not been considered or given less weight than they should. Had they not done so, different conclusions and policy recommendations could prevail.

Essential infrastructure such as refining capacity has value well beyond the balance sheet. It should therefore not be captive surplus refining capacity offshore at our own nation's expense. There are opportunities to retain refining capacity without adding to uncompetitive output.

This paper touches on these themes building on previous submissions on the Draft Energy White Paper¹ and on the Impacts of Closure of the Kurnell Refinery.² This submission will be followed by a more comprehensive assessment informed from consultation with AWU refinery workers to be held on 28 October 2012.

1 Draft Energy White Paper 2011, AWU Submission, March 2012

2 Caltex Terminal (Kurnell), Community Impact, RESEARCH REPORT



INTRODUCTION

This submission responds to the invitation by the Standing Committee on Economics to address the Terms of Reference of its Inquiry Australia's Oil Refinery Industry.

Terms of Reference

That the following matters be referred to the House Standing Committee on Economics for inquiry and report by 5 February 2013:

1. Identify the current international and domestic trends and pressures impacting on the competitiveness of Australia's domestic oil refineries.
2. Investigate the impact of declining refinery capacity in Australia on the economy. This should include analysis of:
 - a. current supply chains and their effectiveness in meeting Australia's liquid fuel requirements;
 - b. import price outcomes for consumers from the current arrangements;
 - c. direct and indirect employment impacts;
 - d. any relevant information on the impact of the closure of Australian refineries, including on downstream activities.
3. Identify any potential issues for Australia's energy security from possible further closures of oil refinery capacity, noting the findings of the National Energy Security Assessment (December 2011)
4. Consider the implication of refinery closures on the associated workforce, including age profile, alternative employment opportunities and labour force mobility.

The submission below addresses each of the issues raised by the Terms of Reference.



1. INTERNATIONAL AND DOMESTIC TRENDS AND PRESSURES IMPACTING ON COMPETITIVENESS

The Energy White Paper 2012: *Strengthening the foundations for Australia's energy future* discounts that Australia may confront a potential future energy crisis. The White Paper substitutes imports for local refining capability in order to remove any supply disruption following the closure of domestic refineries. However, this is not comparing, like with like. Australians are not indifferent to source of supply once relevant factors including supply security, contribution to the local investment, jobs and downstream industries are factored in to the evaluation.

However, because the White Paper deals essentially with the energy market and not the contribution which the local refining sector makes to the Australian economy downstream, many of the benefits of local production are either discounted or ignored. Maximising returns from our own energy reserves through refining and processing is similarly downplayed. That misses the vital role played by the local refining sector to economic growth as a major Australian upstream (energy processing) industry.

As a consequence of cuts in refining capacity, Australia is becoming increasingly reliant on foreign crude oil and refined petroleum to meet its liquid fuels needs. This increased reliance on foreign oil is being exacerbated by the following factors:

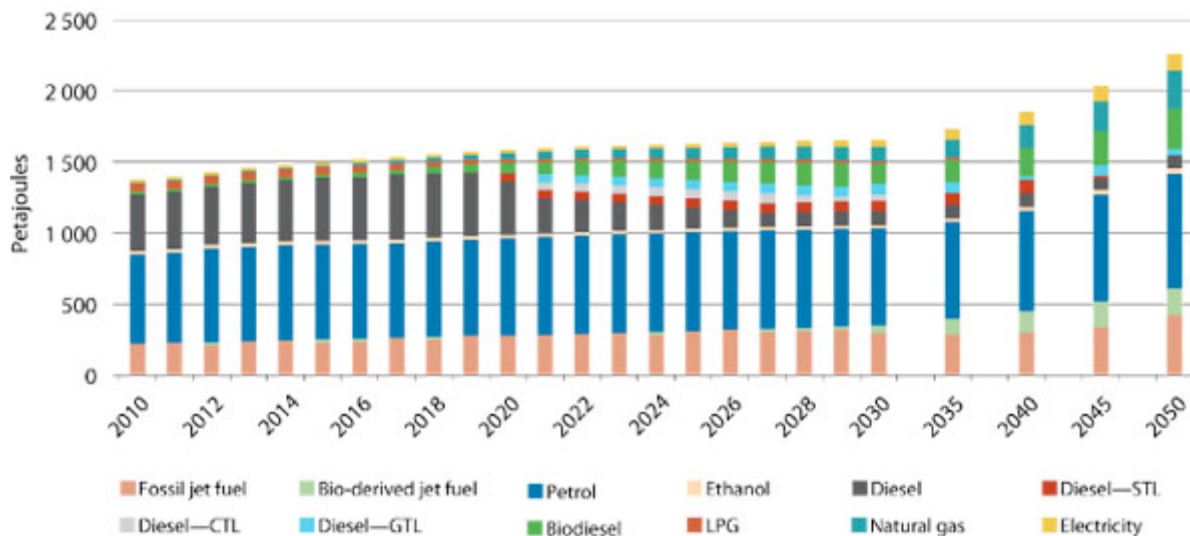
Reduced oil-refining capacity – Shell has recently closed its Clyde refinery; Caltex has announced closure of Kurnell.

Ethanol mandates – The NSW O'Farrell Government's decision to reverse its policy on ethanol mandates in fuel has the potential to force closure or reduction of NSW's ethanol production capacity. The policy was to mandate that all unleaded transportation fuels in NSW include a 6% level of ethanol in all fuel sales. This is commonly sold to the consumer in what is known as an E-10 blend.

Both of these outcomes lead to the likely increase of Australia's reliance on foreign oil and refined petroleum. Any increase in net petroleum and oil importation exposes Australia's economy to external shocks in the global supply of oil.

It also limits local opportunities in exploiting refining opportunities related to i) increasing demand for fuel; and ii) the changing fuel mix expected by 2050 away from petroleum towards ethanol, biodiesel, natural gas and electricity:

Modelled transport fuel mix to 2050, by fuel type (PJ)



GTL = gas-to-liquids; CTL = coal-to-liquids; STL = shale-to-liquids. Source: CSIRO (2011c: Scenario 2).³

Impacts of the two-speed economy

It is clear that Australia's fuel manufacturing sector is suffering from the same stresses of the manufacturing sector broadly. The high Australian dollar is providing the stress point for many Australian manufacturers including aluminium, steel, automotive, pulp and paper. The issues driving competitiveness are complex and require significant government attention and response, but it is clear that Australian manufacturers are suffering from an immediate crisis of demand due to a collapse in export price competitiveness as a result of the \$AUD appreciation.

However, while the exchange rate rises and falls, its impact in terms of decisions to wind up of domestic productive capacity can last forever. We are at risk as a manufacturing nation of a sustained hollowing out of our productive potential which

³ http://www.ret.gov.au/energy/facts/white_paper/part-2/chap-8/8.3/Pages/index.aspx



reduces the contribution of these industries to the local economy and leaves us vulnerable to the whims and vagaries of suppliers offshore.

That is why a very clear case needs to be made that entrenched structural rather than cyclical factors are removing the ability of local refiners to compete over the longer term. It is not clear that this case has been made, despite a range of cyclical impediments impacting the sector. With both structural and cyclical factors impacting the sector, it is important to distinguish between them in order to assess what type of response may or may not be possible in order to address competitiveness challenges.

The fuel-manufacturing sector warrants specific attention due to its strategic importance to Australia's energy and economic security.

As noted in our Submission on the Draft Energy White Paper, there are a number of important factors which are impacting on the competitiveness of the Australian refining sector. These have knock-on impacts on our national fuel security.

The NSW fuel-manufacturing sector faces the same pressures as the broader manufacturing sector, as well as other sectors in the 'slow lane' of the dual-speed economy.

The specific common issues raised in defence of less rather than more local refining are:

1. The high Australian dollar – The high Australian dollar makes the business case to invest and produce in Australia more difficult to justify, particularly for import competing commodity manufactures such as refined petroleum. The propensity the \$AUD has to be 'stronger for longer' would likely impact on the long-term business case for refiners.

The extent to which the mining boom induced appreciation, supplemented by offshore capital inflows chasing secure higher returns impacts on the competitiveness of non-resource traded goods needs to be acknowledged. The extent to which pegged currencies such as Singapore also receive a competitiveness boost at the expense of local suppliers also should be recognised.

2. Scale of enterprise – NSW and other Australian refiners are struggling to match the marginal output and cost advantages associated with large Asian mega-refineries such as in Singapore. It is also an issue for domestic refineries that



these Asian mega-refineries generally produce petrol as a by-product; given the primary demand for transport fuel in the region is diesel.

The extent to which this surplus output is being sold below cost equates to dumping which is illegal under the WTO needs to be tested. The extent to which governments are subsidising local production reflected in export prices which do not reflect costs should also be tested.

3. Capital age – The age of facilities in Australian fuel refineries is a significant issue. Older and smaller equipment significantly reduce the competitiveness of Australian refineries. For example, Clyde was built in 1928; Kurnell in 1956. Australia's newest refineries were built in 1965.

The extent to which profitability and margins had been maintained at both Clyde and Kurnell, despite competitiveness challenges. The extent to which accelerated depreciation may be made available to assist refiners update facilities and the opportunity to re-engineer facilities to process alternative fuels and gas should also be explored.

4. Global excess capacity – A specific issue related to refineries is global capacity. Currently, there is 10% excess global capacity in oil refining. It is expected this will grow, with much of it in China. But demand will grow too.

The extent to which demand continues to rise (in particular in our region) and in a carbon constrained world, fuel switching occurs away from petroleum to biofuel blends and LNG lends weight to strategic assessment of the value of retention of local refining capabilities as a sunk cost.



Comparison of fuel and exchange rate 2002-2012

Year	Price / litre (cents)	USD/AUD exchange rate
2002	69.9	53.2
2003	77.9	64.2
2004	77.9	72.2
2005	79.9	75.1
2006	88.9	75.2
2007	87.9	84
2008	103.9	86
2009	89.9	85
2010	111	94
2011	129.9	103
2012	134.9	103

The conclusion of this information is in January 2002 the Australian dollar was at an all-time low being .5169 cents to the USA Dollar and at the same time the cost of petrol was 69.9 cents per litre fast forward to 2012 the cost of petrol is \$134.9 per litre and the value of the Australian dollar is \$103.00. Over this period the strength of the Australian dollar has risen by over 100% and the cost of fuel has risen by over 95%.

Profitability of the local refining industry has been more or less maintained despite the increase in the value of the Australian dollar. However, for countries which have either depreciated against the US dollar or pegged their currency (such as Singapore), competitiveness has improved significantly over this time eroding local refiners market share.



While the factors underpinning the strength of the Australian dollar will tend to recede over time, the trajectory for oil prices remains upwards in the face of the relentless growth in global demand.

BP has estimated that in 2030, the world will require up to 40 per cent more energy than it does today. That is the equivalent of adding another China and another US to current demand.⁴

The vast bulk of this demand, more than 90 per cent, will come from non-OECD countries, predominantly China and India.

It is not just a cyclical upturn – it is a structural change created by the urbansiation and industrialisation of Asia – in particular – China and India.

Australia will buck the trend of OECD countries experiencing falling demand for oil as mining and a growing transport sector drives demand growth.

This supports the case for retention of reliable local refining capacity in the face of growing competition for imported fuel, in particular from our own, including for alternative fuels.

While the value of the dollar may decline somewhat (but how far is very hard to predict) and rising oil price, local input costs will rise somewhat, but margins available to local refiners will benefit from the on-going demand for transport fuel in Australia coupled with uptake of output from the additional refining capacity in our region. In the face of exponential growth in demand in our own region, the current oversupply in refined product could be a shorter-term phenomenon than has been widely appreciated to date.

⁴ Paul Waterman, President of BP Australasia, Remarks at Australian British Chamber of Commerce Lunch, 23 October 2012



2. IMPACT OF DECLINING REFINERY CAPACITY ON THE AUSTRALIAN ECONOMY

- While Australian refineries currently produce around 70-75% of Australia's petroleum needs, planned reductions in domestic refining capacity as well as increasing demand, will see additional reliance on imports for refined product. This has the potential to expand exponentially if refining capacity continues to shut and fuel demand grows. The Energy White Paper points out that regional excess capacity from Asian 'mega refineries' will place further pressure on small marginal Australian refiners.
- In Australia, demand for liquid fuels has steadily risen over the past decade and consumption of refined petroleum products is projected to grow 1.2 per cent a year over the long term.
- The transport sector is the largest final consumer of liquid fuels, accounting for around three-quarters of Australia's final use.
- Scenario modelling by CSIRO indicates that by 2030 alternative transport fuels could, under a range of scenarios, make up about 23 to 46 per cent of Australian transport fuels, and this could rise to as much as 30 to 54 per cent by 2050. (Refer to chart above).
- The prospect of rising oil prices will provide economic incentive for the development of alternative fuels to complement conventional petroleum products.⁵ Based on the level of imports, Australia's transportation fuel is exposed to any external shocks of supply. An external shock to Australia's oil supply would be highly disruptive to economic activity in Australia.

The Federal Government's Draft Energy White Paper 2011, Energy White Paper and Energy Security Framework have rejected that energy independence or self-sufficiency are important for energy security; claiming markets respond swiftly to deal with any shortages in supply, that Australia has access to robust markets and is also a member of the International Energy Agency that provides additional security.

The government response points to excess capacity in Asian refinery - despite its negative effects on Australian refiners – as a safety measure to meet any Australian supply constraint in refined petroleum. This is highly questionable as these Asian refiners may be unsustainable - and cut off from global supply chains of crude oil. This is outlined in more detail in AWU's submission in the Draft Energy White Paper.

⁵ *Draft Energy White Paper 2011: Strengthening the foundations for Australia's energy future*



3. IMPACT ON ENERGY SECURITY OF FURTHER CLOSURES

The RET defines in the Australian context, energy security as the **adequate, reliable** and **competitive** supply of energy where:

- **adequacy** is the provision of sufficient energy to support economic and social activity
- **reliability** is the provision of energy with minimal disruptions to supply
- **competitiveness** is the provision of energy at an affordable price which does not adversely impact on the competitiveness of the economy and which supports continued investment in the energy sector.

Liquid fuels

Australia's liquid fuels energy security is assessed as **high trending to moderate** in the long term, as RET believes we have continued access to highly adequate and reliable supplies of liquid fuels at price levels that are manageable within the broader economy. This is a highly subjective assessment as energy costs can also be influenced by Government policy (e.g., gas reservation in the US). With falling domestic refining capacity, and on-going demand for fuel both in Australia and offshore, assumptions concerning the trend of Australia's energy security trending to moderate may be overly optimistic.

The moderate assessment rating in the long term recognises a likely trend of high crude oil prices driven by increasing global demand and an increased reliance on more expensive sources of supply; the significant global investment challenge required to meet rising demand; and the continued risks of geopolitical uncertainty in key oil-producing countries. However, these reasons could just as easily have justified a higher risk rating.

Shock Scenario

The 2011 National Energy Security Assessment (NESA) examined Australia's energy security resilience by modelling a set of physical infrastructure and supply chain 'shocks' for each of the three sectors – liquid fuels, natural gas and electricity.

The scenarios are hypothetical and were designed to test the response arrangements and resilience of Australia's energy system. They are not assessments of actual infrastructure reliability or probability of failure, but rather apply a theoretical disruption in the system for the purposes of informing the NESA.



The 2011 NESAs analysis found that the supply disruptions explored under the hypothetical 'shock' scenarios continue to highlight the importance of supply diversity, interconnection and efficient markets in supporting a robust energy security environment for Australia.⁶

It is unclear how closure of domestic refining capacity adds to supply diversity when it is accompanied by increasing reliance on supplies sourced from offshore vulnerable to disruption, impacting directly on Australian consumers but beyond our reach to influence.

Global threats to international fuel and oil supplies

Geopolitical instability – oil is heavily sourced from areas such as the Middle East, which are home to some of the most unstable and unpredictable regimes and ongoing conflicts.

- **Iraq** – It is uncertain how stable Iraq will be post US troop withdrawal.
- **Iran-Israel** – Israel has increased the urgency of its campaign against Iran's nuclear programme. It is impossible to rule out a pre-emptive military strike from the Israeli's against Iran. Iran has stated that any military incursion will result in Iran closing access to the Strait of Hormuz – a route that is responsible for roughly 40% of seaborne oil trade and 20% of global supply. If Australia is to become dependent on Singaporean petroleum it is important to note that Singapore sources 90% of its crude from the Middle East. Any Israeli incursion therefore would have the potential to disrupt Australia's energy supplies.
- **Arab Spring** – Uncertain how these events will resolve themselves and what affect they will have on neighbouring regimes that are oil supplies such as Syria and Saudi Arabia.
- **China-Taiwan tensions** – These are ongoing and inherently uncertain. China has also been more forceful in global shipping routes and claims over the China Sea. Any escalation in tensions in this region has the potential to involve the United States and heavily disrupt the supply of energy.

⁶ <http://www.ret.gov.au/energy/Documents/Energy-Security/nesa/NESA-FACT-SHEET.pdf>



- **Extreme Weather** – Events such as Hurricane Katrina have the potential to cause massive disruption to global supply chains of oil.

There are a vast number of potential risks to Australia's supply chain – which would be entirely sea based – and cannot be listed in their entirety due to the unpredictability of global events.

In particular, the Federal Government has modelled a 30-day loss of petrol from Singapore.⁷ It is suggested that prices may spike in the near term, but that the market should adjust swiftly. However, it is not clear what would result from an ongoing crisis.

This market based approach takes a historic view of how the world has responded to oil and fuel shortages - however past practice is no guide to an uncertain future.

It could reasonably be expected that with demand extending far beyond the traditional OECD nations to emerging economies, markets may struggle to rapidly bring on new sources of oil rapidly due to already stretched supply chains. Such an approach also ignores the very real geopolitics that afflicts oil supply.

But what is clear is that modelling one particular scenario while controlling for all other factors is essentially meaningless unless that one scenario plays out more or less in its entirety. Staking Australia's energy supply security on such a bet seems imprudent.

For example, NESAs assessment of the impact of a shutdown of refining capacity in Singapore, assumes that Australia would be able to source supplies adequately and reliably, albeit at a higher price. That may be a heroic assumption to make given the type of circumstances that would lead to a shutdown of Singapore refining capacity in the first place. Modelling with any degree of precision is therefore fraught and needs to be heavily discounted for events which may be unexpected or misjudged and therefore either excluded from, or miss-specified in, the model.

⁷ Liquid fuels vulnerability assessment, A review of liquid fuels vulnerability, ACIL Tasman for the Dept of RET, Oct 2011 <http://www.ret.gov.au/energy/Documents/Energy-Security/nesa/LiquidFuelsVulnerabilityAssessmentReport2011.pdf>



Fuel Dependency – the case of Poland

Poland is heavily reliant on Russia for its energy supplies. Russian imports meet 95 per cent and 45 per cent of Poland's annual demand for oil and gas, respectively.⁸

Poland has been keen to diversify supply. Dependence on Russian oil and has been viewed as a serious threat to Poland's energy security because Russia openly admitted in its Energy Strategy to 2020 that oil and gas could be used to ensure Russia's interests abroad. Oil supply disruptions in fact occurred in 2004 and 2006.

Poland has been busy at diversifying supply options, including securing access to the Norwegian Continental Shelf. Supply reserves have also been increased.

Although fuel dependency is not as severe in Australia there are lessons from Poland's experience in valuing diversification of supply and local capabilities in ensuring supply security

⁸ Institute for the Analysis of Global Security, Poland's Energy Security: Dealing with Russia, 29 February 2008.



Liquid fuels – a major interruption to Singapore's ability to trade petroleum products with Australia

This scenario was based on the temporary closure of shipping to and from Singapore and shutdown of Singapore's three major refineries.

The interruption was modelled to last for around 30 days, and impacts were assessed under current conditions and then under the tighter global market conditions forecast for 2015-16.

The scenario demonstrated that the global market and international supply chain could provide Australia with adequate and reliable supplies, albeit at higher prices.

An immediate interruption to the Singaporean supply chain is estimated to increase global product prices by around 18 per cent on average in the first month, while prices decline somewhat from this initial spike in the second and third months as alternative supplies bridge the shortfall.

Under the NESA methodology, the main impact on Australia's energy security would be on competitiveness due to the increase in global prices for petroleum products.

Adequacy and reliability over the scenario period would be maintained through alternative supplies becoming available from other regional refineries, access to stocks in Australia and those already on water, and the ability to acquire petroleum products from the Asia-Pacific region that would normally be sold to other regions.

Liquid fuels vulnerability assessment, A review of liquid fuels vulnerability, ACIL Tasman for the Dept of RET, Oct 2011 <http://www.ret.gov.au/energy/Documents/Energy-Security/nesa/LiquidFuelsVulnerabilityAssessmentReport2011.pdf>



4. IMPACT OF CLOSURES ON WORKERS

Both the closure of Clyde and Kurnell refineries have been the subject of economic analysis by the CFMEU, AMWU and AWU.

Clyde

A joint report prepared for the CFMEU and AMWU - The Future of Clyde Refinery⁹ – estimates the conversion of Clyde to an Import-Only Terminal will result in employment losses of 1,700 jobs and a net reduction in output of \$187 million.

Kurnell

A Community Impact report on Kurnell was also undertaken by the AWU¹⁰

Kurnell has a small population of roughly 2200. While it is difficult to quantify the direct economic impacts of the refinery closure on the community and local businesses the sheer number of the job losses mean that a negative impact is inevitable.

The size of Kurnell relative to the 700 job losses incurred only increases the net negative impact of closure.

It is likely that the removal of such a large volume of jobs, income and resulting consumption from such a small community will have a deleterious effect on local businesses and further increase job losses and closures in the supply chain and in other sectors that rely on income from refinery workers.

Many businesses rely on day and shift trade from Caltex workers that will no longer be present. Furthermore the steep decline in local aggregate income will negatively regular consumption spending for the vast majority of workers who live in the local area. This will have significant impacts on the local business community as consumption decreases.

⁹ The Future of Clyde Refinery - A report to CFMEU Mining and Energy and AMWU, July 2011. Strategic Economics and SGS Economics and Planning

¹⁰ Caltex Terminal (Kurnell), Community Impact, RESEARCH REPORT



It is also likely that suppliers of maintenance capital and other suppliers will suffer as the site ceases to operate.

The aggregate of this drop in economic activity will have a negative flow on effect as a decline in income and consumption in the area causes a general economic decline.

For the local community the loss of at least \$100 million in economic activity will have a devastating impact.¹¹

It is difficult to foresee economic activity being replaced easily due to the nature of the local stores being highly substitutable and not destination retailers i.e. general local stores as compared to unique stores in the area that others in surrounding areas may travel to.

A tangible example of the net impact of the Caltex closure is the recent shutdown of the local lubrication refinery. This closure led to the loss of 100 direct jobs and also led to the closure of a downstream supplier and the loss of a further 60 jobs. The sheer quantum of jobs being lost in this instance will ensure that further jobs are lost not merely in the supply chain but in community businesses.

¹¹ Caltex Terminal (Kurnell), Community Impact, RESEARCH REPORT



Conclusion

The AWU welcomes the inquiry by the Standing Committee on Economics into Australia's Oil Refining Industry. It is the AWU's expectation that this inquiry will provide a balanced assessment of the conclusions reached by the RET in both the Energy White Paper and NESAs concerning the impacts of further cuts in Australia's refining capacity.

The AWU has been at the forefront of a campaign responding to arguments that Australia's energy future should be built on a growing reliance on imports. (See media releases at Attachment A). This submission has raised a number of knock-on impacts of this approach, not least the loss of direct and indirect jobs and investment. The AWU will never support an approach to the development of government policy which relies on theoretical judgements without due consideration to the practical impacts of these decisions. Post-fact rationalisation of the limited impact of the closure of Clyde and Kurnell, despite their on-going profitability is in the view of the AWU, not in the nation's interest.

The AWU is holding a major meeting with refinery workers on 28 November to consider the issues in detail. The AWU would welcome the opportunity of responding to the Committee with a supplementary submission following this meeting.

Terminal Impact to hit Kurnell residents

1 September 2012

The closure of the Kurnell refinery and its conversion to an import terminal will have wide-ranging impacts on the local community, according to a report released by The Australian Workers' Union (AWU) today.



AWU National Secretary Paul Howes said Caltex's plans would have a number of serious economic, social and environmental impacts – and serious questions about the projects were not being answered.

“Caltex has budgeted around \$680 million for the conversion of the site to a fuel terminal, which shows is a massive investment.

“Yet Caltex has not lodged any project plans with the State Government, and has provided little detail about how the community will be affected.”

Paul Howes said the risks associated with the project included:

- More trucks on local roads,
- A higher risk of fire and explosions,
- Health risks from industrial contamination at the site,
- And potential environmental damage to Botany Bay.

Breaking down the wall of silence

“We know that Caltex was being dishonest when it claimed the Kurnell refinery was losing money, so this company has a serious credibility problem,” Paul Howes said.

“You have to wonder if Caltex can be trusted to tell the truth about the impact of its proposed fuel terminal for local residents.”



Paul Howes said that under NSW planning laws, the project would require assessment as a State Significant Development.

“Caltex will need to conduct detailed environmental impact studies, and these will need to be assessed and approved by the relevant government authorities.

“Already, 700 workers have been told they will lose their jobs – which will have a huge economic impact on the local area.

“Given the risks involved in this project, there can't be any guarantee that it will ever go ahead, which will be a double blow for NSW.”

Source: http://www.awu.net.au/417889_5.html

Caltex cries poor while raking in profits

27 August 2012

Caltex Australia today announced a 74 per cent profit increase - just weeks after saying it was bleeding cash and had to close down its Kurnell refinery to stop the losses.



AWU National Secretary Paul Howes said Caltex's had misrepresented the true state of its finances in order to justify its plans to import more fuel from Singapore.

"Caltex has finally owned up and admitted that its Kurnell refinery makes money.

"In fact, Caltex has attributed its improved half-yearly net profit of \$197 million to better margins in its refining and transport fuel operations.

"The management of Caltex Australia wanted everyone to believe that the sky was falling, but instead they have been exposed as cynical manipulators and poor corporate citizens.

"This company would rather spend \$650 million converting Kurnell into a import facility than maintain it as a profitable refinery, employing Australians and contributing to the Australian economy."

Our fuel security at risk

Paul Howes said Australia's fuel security was being put at risk by Caltex's brazen attempt to close down the country's domestic refining capabilities.

"Without local refineries, Australian motorists will effectively be hostage to the supply of refined fuel from overseas sources.

"A spike in the price of refined fuel from Singapore will have a massive effect on motorists, and on the entire Australian economy."



Paul Howes said the Caltex announcement also put further pressure on its retail partner Woolworths, which has recently undertaken a multi-million dollar advertising campaign based on the supermarket chain's commitment to local suppliers.

"If Woolworths was serious about supporting Australian suppliers than it would do everything in its power to pressure Caltex to maintain its local refining operations.

"Instead of providing tacit support for Caltex's decision to sack local workers, Woolworths should be standing up for Australian fuel and Australian jobs."

Source: http://www.awu.net.au/383121_5.html

Caltex decision a kick in the guts to motorists

26 July 2012

The decision by Caltex to shut down the Kurnell refinery by mid-2014 is a kick in the guts to Australian motorists, according to The Australian Workers' Union (AWU).



AWU National Secretary Paul Howes today said around 700 jobs would be lost at the site, while motorists would more exposed to sharp spikes in fuel prices.

"Today is a black day for Australia's manufacturing industry, and for the country's energy security," Mr Howes said.

"Our domestic petrol refining capacity will be diminished by this decision, which means we will be more reliant on imported fuel from Singapore.

"Singapore, in turn, is highly dependent on supply from the highly unstable Middle East region.

"This situation is clearly not in Australia's national interest, and it's a frightening scenario for motorists who are already suffering from the high price of fuel."

Mr Howes said workers were devastated by the announcement, but would continue to fight for their jobs.

"These workers care for their jobs, their families, and their local community.

"They have been fighting to save the refinery, and they will continue to fight to the very end.

Mr Howes also criticised Caltex's retail partner, Woolworths, for washing its hands of the issue.

"Woolworths and Caltex have 550 co-branded petrol stations around Australia. It is not good enough for Woolworths to simply shrug its shoulders and say 'it's nothing to do with us'.

"Woolworths should be putting its foot down and telling Caltex that this decision is unacceptable, and that their co-branded service stations must continue to sell Australian-refined fuel."

Source: http://www.awu.net.au/605033_5.html