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13 April 2012

The House of Representatives Standing Committee on Infrastructure and Communication
PO Box 6021
Parliament House
CANBERRA. ACT 2600

Dear Secretary

Re: Coastal Trading (Revitalising Australian Shipping) Bill 2012

Thank you for the opportunity to provide further feedback on the Coastal Trading Bill 2012. Under the proposed legislation, The Shell Company of Australia Limited does not believe that the Bill will either revitalise the Australian Shipping industry nor has it adequately addressed our key concerns.

Australia enjoys high levels of energy security because of the diversity of supply sources and the flexibilities inherent in the supply chain. A key reason for the maintenance of this supply security is the ability to respond quickly and decisively to source alternative supplies during critical periods. The oil industry's need for the capability of the issuance of urgent licenses (maximum two day turn around) has been well documented in previous submissions to the Department and it is acknowledged that the Department has endeavoured to address this issue by allowing for two day turnarounds on variations to matters authorised by a Temporary License albeit noting that if the variation includes new matters then the variation application must be for a minimum of a further five voyages and the turnaround could be up to seven business days.

In our industry these 'urgent' voyages are both urgent and unknown, the unknown piece being that we have little advance warning of where the supply chain issue will occur and hence what the actual voyage, ports and cargo composition may be.

Therefore our key concerns are:

1. The burdensome requirements and practical application of the Temporary Licence, the variation process and how this will actually work particularly in respect of urgent requirements.
2. If the system fails to work efficiently and promptly then this will put at risk the energy supply security we currently enjoy.

As an example:

Shell has a Temporary Licence that has five known and approved voyages and has at this time executed four of the five voyages listed. The next scheduled known voyage (ie: No 5) is for a Geelong – Townsville movement, with load date of September 1st and proposed loading of 30,000 tonnes of Clean Petroleum Products.

In order to avert a supply shortage in Sydney as a result of an unexpected refining disruption, Shell now has a previously unknown and urgent movement from Geelong to Sydney with a load date of 17th April, and proposed loading of 10,000 tonnes of Dirty Petroleum Products.

Will the Department accept this as a valid Variation of Matters authorised by a temporary licence? If so, then what happens to the previously known No 5 voyage, does Shell have to now apply for a standard 'new matters' variation to get this voyage back on its Temporary Licence approved list - noting that a 'new matters' variation must have a minimum of five voyages in its application?

Furthermore, it is highly possible that Shell has no Temporary Licence in place, and therefore no formal way to accommodate the urgent movement to avert a supply shortage in Sydney.

Overall the Temporary Licence system appears more complicated and burdensome to both the oil industry and the Department than the existing Permit system, and in our opinion will fail to deliver any of the objectives of the Act in respect to the oil tanker segment of the Australian shipping industry.

Considering the advanced state of the Bill, and the need for a workable solution, Shell urges the Committee to consider expanding the scope of the Emergency Licence provisions to include oil industry supply disruption.

We remain concerned that to not include such Licence provisions would likely result in more frequent impacts to fuel supply markets across the industry and in worst case scenarios result in DRET Liquid Fuels Emergency declarations.

Yours sincerely

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Shell Australia Downstream