



**AUSTRALIAN
AUTOMOBILE
ASSOCIATION**



22 November 2012

Ms Julie Owens MP
Chair
Standing Committee on Economics
House of Representatives
PO Box 6021
Parliament House
CANBERRA ACT 2600

By email: economics.reps@aph.gov.au

Dear Ms Owens

Inquiry into Australia's oil refinery industry

I am writing on behalf of the Australian Automobile Association (AAA) in relation to the Inquiry into Australia's oil refinery industry by the Standing Committee on Economics.

The AAA represents the views of its constituent motoring clubs:

- the National Roads and Motoring Association
- Royal Automobile Club of Victoria
- Royal Automobile Club of Queensland
- Royal Automobile Association of South Australia
- Royal Automobile Club of Western Australia
- Royal Automobile Club of Tasmania, and
- Automobile Association of the Northern Territory

on issues of national policy. Collectively the AAA's constituent motoring clubs represent the interests of almost seven million Australian motorists.



Terms of Reference 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

Australia has abundant fossil fuel energy supplies (most notably natural gas), but is heavily reliant on imports of refined petroleum products and crude oil to meet demand for transport fuels. This dependence has increased in recent years. A major disruption in the supply of transport fuels could have significant economic and social consequences, particularly if proposed refinery closures proceed in 2013 and 2014. Australia's ability to maintain sufficient stockholdings of transport fuels is therefore critical.

In response to the draft Energy White Paper earlier this year, the AAA raised concerns about Australia's ability to meet its stockholding obligations as a member of the International Energy Agency (IEA). The AAA noted that the 90 day stockholding obligation requires commitments be made as a buffer to prevent sharp fuel price increases or rationing in response to short term oil supply disruptions.

The Energy White Paper, released on 8 November 2012, suggests that, in the event of an international supply disruption, Australia would call on the IEA Coordinated Emergency Response Measures and that this, along with market forces that would come into play, would be sufficient for Australia to secure necessary fuel supplies. The AAA is concerned that such a response is not sufficient in the event of a disruption of supply of transport fuel to Australia.

The AAA considers that, as major refiners seek to restructure their import and refining capacities, it provides an opportunity for government to ensure an overall increase in the stockholding capacity at large urban terminals. The AAA would encourage the adoption of a higher stockholding by industry and government as the refinery closures proceed in the next two years in line with its IEA obligations.

The AAA would be pleased to attend a public hearing in relation to this Inquiry in order to provide further information on the issues raised in this submission.

Yours sincerely

STEFANEE LOVETT

Director – Policy and Advocacy