

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Resources, Energy and Tourism Portfolio
Budget Estimates 2008-09
2 June 2008

Question: **BR-8**
Topic: **Parity price transport component on indigenous oil**
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Senator JOYCE asked:

Senator JOYCE—Dealing with parity pricing, we have a transport component on parity pricing, do we not?

Mr Hartwell—Yes, I think that is right. I would have to go back and check the details on parity pricing.

Senator JOYCE—That is a transport component from where overseas, which we actually put on our own domestic oil?

Mr Pegler—All our parity pricing is based on ex-Singapore.

Senator JOYCE—So we have a parity price on which we put a transport component of 300,000 barrels of oil a day as being transported from Singapore but which are actually sourced in Australia?

Mr Pegler—That is correct.

Senator JOYCE—How much does that cost the motorist?

Mr Pegler—I cannot comment on that. We do not have those figures.

Senator JOYCE—Can you take that on notice?

Mr Pegler—I doubt if we can extract them, but we can have a look. It will depend on a whole host of factors in terms of refinery throughput, refinery profitability and issues like that. It will not directly correlate when—

Senator JOYCE—I would be interested to find that out.

Mr Pegler—comparing refined product with crude.

Answer:

In 2006-07, about 191,000 barrels of Australian indigenous oil was processed per day by Australian refineries. Crude oil is purchased by downstream refiners from upstream producers on a commercial market basis. Refinery costs include the freight component of crude oil independent of its source.

Import parity pricing (IPP) is a notional pricing methodology used voluntarily by the Australian downstream petroleum industry to determine a market price for refined fuel. IPP is based on Singapore refined product spot prices as a realistic and available supply alternative to domestic refinery production. IPP is not directly related to crude oil source or costs.

There is no additional cost to motorists related to processing indigenous as compared with imported crude oil on the basis that there would be no change to Australian fuel pricing should Australian sourced crude cease to be refined in Australia.