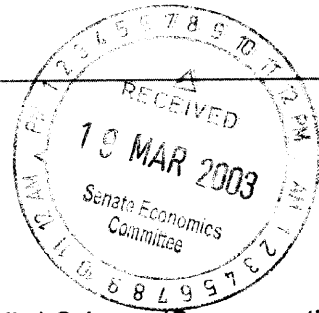


**Lancsar, Angela (SEN)**

**From:** McGregor, Rob [RoMcGregor@CSR.COM.AU]  
**Sent:** Tuesday, 18 March 2003 5:58 PM  
**To:** Economics, Committee (SEN)  
**Subject:** Senate Economics Legislation Committee



Re. Energy Grants (Credits) Scheme Bill 2003 and the Energy Grants (Credits) Scheme (Consequential Amendments) Bill

CSR Distilleries is Australia's largest ethanol from molasses producer. Ethanol offers substantial environmental, economic and social benefits as an alternative, renewable fuel. We would like to offer some comments and highlight some issues which should be considered in the replacement of the Diesel Fuel Rebate Scheme and the Diesel Alternative Fuels Grants Scheme entitlement provisions. Our particular area of concern is the treatment of ethanol/diesel blends [Diesohol] in the scheme and offer the following points:

1. Diesohol technology was developed with the assistance of Commonwealth and State government grants by Apace Research, a non-profit organisation and an Approved Research Institute.
2. Diesohol, as developed by Apace, is an emulsion of azeotropic ethanol in diesel fuel stabilised by a chemical emulsifier and is used in existing diesel engines/vehicles.
3. Chemical and engine thermodynamic properties together with practical and economic considerations limit the amount of ethanol in the Diesohol to the range of 7% minimum to 30% maximum by volume. The amount of ethanol normally contained in Diesohol is 15% by volume.
4. Existing diesel engines require relatively minor adaptation to use Diesohol and are fully compatible with operation with straight diesel as fuel.
5. The volumetric fuel consumption of an engine operating on Diesohol is higher than when operating on diesel fuel, due to the lower energy content of ethanol when compared to diesel fuel.
6. "Ethanol" and "diesel fuel" were included among the initial fuels certified under the DAFGS. However Diesohol, being a blend of ethanol and diesel fuel, was not specifically mentioned and hence missed.
7. The Australian Taxation Office [ATO] considers that Diesohol fits within the DAFGS broad definition of "diesel fuel" and is eligible for the diesel fuel grant scheme. However, the ATO position does not take into account the ethanol content of Diesohol with the consequent engine/vehicle adaptation cost and higher volumetric fuel consumption compared to diesel fuel. Under the DAFGS the grant rate for ethanol is higher than the grant rate for diesel fuel, due to the higher capital cost of an ethanol engine compared to a diesel engine and the higher volumetric fuel consumption of ethanol compared to diesel fuel.
8. In response to the above circumstances, Diesohol was given priority consideration by the Australian Greenhouse Office (AGO) for inclusion as an additional fuel under the DAFGS.
9. Based on the conclusions of the review study conducted for the AGO by CSIRO, the AGO has advised Treasury that it considers Diesohol suitable for inclusion under the DAFGS.
10. In November 2001 CSR Distilleries, with the support of a grant from the Queensland Government's Sustainable Energy Development Fund, commenced trials of Diesohol in the Mackay district of Queensland. CSR now wish to extend the use of Diesohol to a number of potential users of diesel fuel.
11. The current interest by CSR in expanding the use of Diesohol is in line with the Federal Government's commitment of increasing the use of renewable fuels such as ethanol in the transport sector.
12. However, the continuing inconsistency in the treatment of Diesohol under the DAFGS is a significant market barrier to the uptake of Diesohol.

We trust that we have adequately described to the Committee our particular issue of concern. The Committee are encouraged to address the inconsistency in the treatment of Diesohol under DAFGS. Without a change it will have a very significant negative impact on our efforts to commercialise Diesohol.

Best Regards,  
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