

# ACE



## Australian Coalition for Ethanol

Thursday 2<sup>nd</sup> October 2003

The Secretary  
Economics Legislation Committee  
Department of the Senate  
Suite SG.64  
Parliament House  
Canberra ACT 2600

Good Morning Dr. Bachelard,

***The Energy Grants (Cleaner Fuels) Scheme Bill 2003, and  
The Energy Grants (Cleaner Fuels) Scheme (Consequential Amendments) Bill 2003***

The Australian Coalition for Ethanol is a grouping of ethanol proponents, business organizations, regional Shire, Town and City Councils, Chambers of Commerce and Independent Fuel Suppliers (primarily from Queensland) who can see the benefits of the development of an ethanol industry as a means of boosting development, security and job opportunities in rural and regional areas and of providing cleaner healthier air in the cities.

Ethanol project proponents such as CSR, Multiplex subsidiary Indcor, and Dalby Bio-Refinery, have spent many millions of dollars developing projects through feasibility to the construction stage based on the government's "Biofuels for Cleaner Transport" policy of October 2001 and subsequent communications affirming that the policy would be implemented. CSR is planning to spend up to \$100 million to upgrade their Sarina Distillery and develop a new much larger facility in the Burdekin, south of Townsville. Dalby Bio-Refinery went to tender for the first stage of their construction process in November 2002 expecting to begin construction early in 2003. To meet the Government's target of 350 million litres per annum of biofuels nationwide, around \$400 million dollars needs to be invested. However all projects are currently unable to proceed, due to the current uncertainty, and "**will not**" proceed if the excise base foreshadowed in this year's budget is implemented.

All new ethanol project proponents face essentially the same challenges and issues in development of their businesses, and face essentially the same cost structures, whether the plant feedstock is sugarcane or grain based. PricewaterhouseCoopers have undertaken very detailed financial and business analysis of the Dalby project which is the most advanced of the new projects and can be considered analogous to other similarly sized new ethanol proposals.

### ***Dalby Bio-Refinery Project Development Steps***

- Active assessment of the feasibility of the project to produce ethanol began in early 2001.
- Visit to USA for technology selection and project size assessment.
- Dalby selected for site of the Bio-Refinery after assessing several sites in Southern Qld.
- Pre-feasibility study shows project viability and further visit to USA to negotiate technology transfer agreement.
- Federal government announces “Biofuels for Cleaner Transport” policy committing to “*zero excise*” regime and capital grants for “early adopters”.
- Technology agreement signed with Delta-T.
- Confirmation letter sought and obtained from Warren Truss (then the relevant minister) after the election confirming the government’s commitment to the policy, and in particular confirming that there would be no excise applied by the Howard government and that the capital grants scheme would be in place by July 2002.
- PricewaterhouseCoopers commissioned to prepare business plan and to arrange financing of the project. { A \$600,000 }
- Payments to Delta-T start and technology transfers begun in earnest. { A \$250,000 }
- Project Engineers “Tam Faragher & Associates” conducted a detailed construction costing and design conversion. { A \$400,000 }
- Contracts signed with independent fuel companies for 65 million litres (out of a total 80 million litre production) on a 5 year “take or pay” basis.
- Dalby Town Council provides planning approval for project. Project investment \$79 million will provide over 400 jobs during construction. Once operating, the plant will provide 34 permanent jobs directly and 186 permanent jobs indirectly in the region.
- November 2002, project goes to tender for earthworks tender as first part of construction.
- Tender closes on 18<sup>th</sup> December 2002 but we are unable to proceed as the bank providing finance in February 2003 seeks confirmation of government policy before proceeding.
- Project on hold since early 2003.

The budget proposes the implementation of an energy based excise for all fuels. Even ignoring the fact that diesel has a much higher energy level than petrol and that LPG also could not sustain the impost of an excise, the budget proposal takes no account of the substantial health and regional development benefits that a renewable fuel like ethanol provides.

In effect the budget proposal advantages existing ethanol producers over new project developers, thereby minimizing supply and competition, destroying the opportunity to develop a vigorous renewable transport fuels industry in Australia.

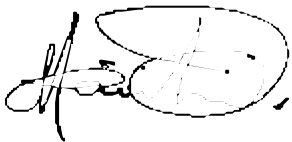
***We would recommend that this legislative package should not proceed without the incorporation of a clear effective excise basis that allows the development of new projects for the benefit of all Australians.***

That effective excise basis should be,

- Consistent with the Government's "Measures for a Better Environment" (May 1999); "Biofuels for Cleaner Transport" (October 2001) and the commitment in the letter of 8th March 2002 from the then relevant minister, Mr Truss, committing the government to an exemption of fuel ethanol from fuel excise, by enshrining an effective final zero excise rate.
- A committed 10 year minimum effective excise free period from commissioning without which no new project will be funded by major Australian banks.
- Ensuring a market plan that makes sense after ten years, allowing projects that are developed to remain viable.

We remain committed to the development of an ethanol industry and we believe that we speak on behalf of all proponents in saying that without the implementation of the core of the government's "Biofuels for Cleaner Transport" policy – maintenance of the effective zero excise regime - there will be no development of new ethanol projects in Australia.

Thank you for your interest.



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ACE Spokesman & Director  
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