



Australian Government

Department of the Environment and Heritage

Mr Peter Hallahan
Secretary, Senate Economics
Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600.

Dear Mr Hallahan

On 28 September 2006 the Department of the Environment and Heritage appeared before the Senate Economics Legislation Committee's Inquiry into the Price of Petrol in Australia.

The Department took on notice a question concerning the attitude of the four major oil companies to the introduction of Australian fuel quality standards. In summary, there was general support for the introduction of national fuel quality standards, although views differed on the level and timing of introduction of certain specifications.

For the Committee's reference I have attached copies of submissions received in response to a series of discussion papers on setting national fuel quality standards released by the Department in May 2000. Submissions from BP Australia Limited, Caltex Australia Limited, Shell Australia, Mobil Oil Australia Pty Ltd and the Australian Institute of Petroleum are attached.

Yours sincerely

Mary Harwood
First Assistant Secretary
Environment Quality Division

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MEMBER

CHAIR—The costs reflected in the red line to which I have drawn your attention are essentially production costs, aren't they? One would not expect them to abate over time; they are just an additional cost at the stage of production at which the fuel is refined to the specification.

Ms Harwood—The industry would be much better placed to characterise where and how the costs arise, but some of the costs relate to investment in additional equipment in refineries which would be amortised through time—that is, that is not a continuing cost. I do not think characterising them as stable, ongoing costs necessarily captures the essence of that investment that has been made already by the industry in upgrades to the refineries.

CHAIR—When these more stringent fuel standards were introduced I take it there was a period of consultation with the industry?

Ms Harwood—There was very extensive consultation with a very wide array of stakeholders.

CHAIR—Limiting yourself for the moment to the four major oil companies, the refiner marketers, there was consultation, I assume, with each of the four of them?

Ms Harwood—I will clarify that but I have no doubt that they would all have been actively engaged in the process.

CHAIR—If you don't know the answer, perhaps you could take that on notice and confirm your understanding.

Ms Harwood—Yes. We may have with us a list of all the stakeholders who were consulted at the time that the act was being developed.

CHAIR—Can either of you tell us what was the attitude of the four major refiner marketers to the new fuel standards? Were they supportive? Were they reluctant? Were they neutral? What did they say?

Ms Harwood—Neither of us was in this role at the time that the act was brought into being, so I would—

CHAIR—Could you check that and come back to us in writing?

Ms Harwood—I am happy to do that.

CHAIR—Can I explain to you the reason I ask that question. It was put to some witnesses—I forget which ones—by one of our colleagues, Senator Joyce, that the high fuel standards represented a non-tariff barrier and that, as I understood him, he was suggesting that it was very much in the interests of the four majors to have this non-tariff barrier so as to make it more difficult for there to be competition with them from other sources. Whatever you think of that argument, it would bear upon it to know whether or not the four major refiner marketers supported or opposed this measure. We have heard from one of them that they supported it.