

Sustainable Transport Coalition WA Inc
Convenor
Dr David Worth

PO Box 272, Bull Creek, WA 6149
stcwa@bigpond.net.au
0414 509 043
20 July 2006

Committee Secretary
SENATE Economics Legislation Committee
Parliament House
Canberra ACT 2600

Dear Sir/Madam,

SENATE INQUIRY INTO AUSTRALIA'S PETROL PRICES

The Sustainable Transport Coalition of WA (STCWA) welcomes the Senate's inquiry into Australia's petrol prices and makes the following comments in regard to Inquiry reference E: "any other related matters".

Most Australians live in urban areas and cities that are the location for the major use of oil products and associated negative environmental impacts. More than 95% of Australia's transport fuel is directly derived from crude oil. The STC believes that the world's supply of cheap, and light/sweet crude oil has peaked, or will soon do so (see appendix 3), and this is the prime reason for Australia's rapid rise in petrol prices. For the past 18 months the major oil producers have been pumping flat out with the only spare capacity in June 2006 in heavy oil in Saudi Arabia (appendix 5). Meanwhile, according to the US Dept of Energy and IEA, the world daily supply has stabilised (peaked?) at about 84 million barrels per day (appendix 3). Appendix 4 shows that Australia's oil production peaked in 2000 and we don't believe that the current high petrol prices has any substantial connection to the structure of Australia's oil industry, global refining rates or other matters mentioned as references for your Inquiry.

Appendices 1 and 2 (No. 85), on the other hand, show that Australia has one of the lowest rates of fuel excise in the OECD, and hence, one of the lowest prices for ULP, LPG and diesel fuels. The **STCWA** is a non-profit community group that lobbies decision-makers and supports community action to make Australia's transport systems more sustainable. We think that the best way to address our high (and soon to go higher) petrol prices is to encourage Australian motorists to use LESS liquid fuels, and the Federal and State governments have a major role to play in encouraging this, as outlined in the suggestions below.

The STC advocates five priorities for change to lower the consumption of oil for transport in Australia:

(1) Make the costs of transport more explicit

Transport users do not pay the real cost of travel. Many costs are paid by the community (e.g. health effects of air pollution and costs of road maintenance), are fixed (e.g. vehicle registration and insurance) or, arguably, too low (e.g. fuel prices compared with many other nations) and so distort the market resulting in social and environmental costs for the community and increased costs for Government. Responsible public policy needs to more fully incorporate the real cost of transport in what transport users pay, (e.g. through energy prices, road user charges or other means, to send a stronger signal to influence travel

behaviour). It will also provide funds that can be invested in repairing damage and improving system efficiency.

Recommended actions:

- **Incrementally increase excise on petrol and diesel to moderate demand and provide funds for sustainable transport programs. Australia has one of the lowest fuel excise rates in the OECD (see Appendix 1). At a minimum, reinstate automatic indexation linked to the consumer price index and hypothecate a significant share of revenue to a sustainable transport fund.**
- **Support changes at State level to motor vehicle registration charges and third party vehicle insurance from fixed payments to payment based on kilometres travelled and vehicle type, to better capture real costs and provide funds for transport infrastructure and demand management.**
- **Remove taxation measures that encourage motor vehicle use and the purchase of four wheel drives and six cylinder vehicles over more efficient vehicles. This should include reform of fringe benefits tax and removal of the import duty concession on four wheel drives.**
- **Inquire into the potential for road user charges as an effective user-pays regime.**

(2) Moderate energy demand by changing transport patterns

Many urban passenger trips made by car could be travelled using modes that generate fewer costs and more benefits (i.e. more urban passenger trips on foot, bicycle and public transport) resulting in more physical activity, lower energy use (renewable at that) and fewer emissions. Changes can also be made in freight transport, by changing mode split (e.g. more freight on rail), logistics (e.g. using available container and truck capacity better) and location (e.g. localising production and consumption and eliminating attenuated trips when alternatives are available). Integrating land use and transport will be an important strategy to manage travel demand, including mixed used urban villages on public transport networks, enhancing pedestrian and cycle access within neighbourhoods and across cities and locating commercial and industrial activities according to accessibility requirements.

Recommended actions:

- **Broaden the scope of AusLink, the Federal Government's national land transport plan, to include urban passenger public transport, bicycle transport and travel demand management in the scope of AusLink and consider transport energy, especially the implications of peak oil, in setting priorities and assessing funding.**
- **Require integrated transport and land use plans at regional or corridor level as a prerequisite for AusLink project funding.**
- **Develop a national response to Australian and global oil decline, emphasising demand management initiatives like *TravelSmart* and alternative fuels for passenger and freight transport. A significant shift to walking, cycling, public transport and rail freight is needed to cut energy consumption and atmospheric emissions. These modes can play a greater role in meeting travel needs at less impact than cars and road freight for many trips.**
- **Broaden the scope of benefit cost analysis of projects in Federal planning. For alternative modes include savings in health spending, environmental damage and road maintenance; for motor vehicle include the costs of reduced community health, environmental damage and road maintenance.**
- **Include support for an urban growth boundary around major capital cities, development a location policy and targets for residential density increases to halt urban sprawl and better integrate land use and transport.**

- **Establish an integrated transport funding mechanisms. This should ensure transport funding advances strategic aims and is allocated on the basis of regional transport plans and intermodal, triple bottom line project appraisal.**
- **Review and act to address taxation measures that bias modal preferences towards car commuting. This should include reforms to fringe benefits tax to encourage employer provision of public transport fares and bicycles and cashing out of car and parking options.**

(3) Make Australian vehicles more efficient

The energy efficiency of the Australian car fleet has changed little over the last three decades. The increase in four wheel drive vehicles in the passenger fleet - larger and with less stringent efficiency requirements - has contributed as has increased 'road load' due to auxiliary power requirements. More efficient vehicles means reducing weight, improving engine technology to enhance fuel economy and encouraging use of more appropriate urban passenger vehicles.

Recommended actions:

- **Make energy efficiency requirements, including fuel economy and 'road load' measures, more stringent in the Australian Design Rules for all classes of vehicle.**
- **Tie government assistance to the domestic automotive manufacturing industry to achieving greater energy efficiency and environmental performance in the motor vehicle made here.**
- **Governments should lead by example by developing and implementing fleet purchasing and management policy that requires the use of energy efficient vehicles and alternative fuels as the first preference. This should favour four rather than six cylinder cars and LPG or CNG rather than petrol or diesel.**
- **Ensure all registered vehicles pass a roadworthy test to ensure all vehicles conform to minimum environmental and safety standards.**

(4) Develop and use alternative fuels

Many alternative transport energy sources have been suggested. In the short term LPG and CNG can be substituted for petrol and diesel, and Australia's natural gas reserves gives it a competitive advantage in starting the transition away from oil. Biofuels (especially biodiesel) generated from renewable energy sources should be considered as potential transport fuels, particularly for regional areas. A mix of energy sources will be needed to replace oil as a transport fuel.

Recommended actions:

- **Encourage the use of LPG and CNG in the motor vehicle fleet by preferencing its use in government fleets, providing financial incentives for vehicle conversions or purchase of dedicated gas vehicles and financial support for provision or conversion of fuel storage and distribution infrastructure.**
- **Review domestic requirements for gas for stationary and transport energy and ensure government-industry agreements for resource projects favour hypothecation for domestic supply and support development of downstream processing in environmentally appropriate locations.**
- **Provide research and development support for innovation in alternative transport energy technologies, electricity and biofuels based on renewable sources.**
- **Develop a transport energy research framework that sets out an assessment process for allocation of funding support and accreditation of green energy sources.**

(5) Policy framework for transport energy reform

Seek a national energy policy that commits to measures to start the move to a more energy efficient, less oil dependent transport system. It should recognise the consequences of oil vulnerability and effects of current transport energy use. The Federal Government has a significant influence on transport energy use through taxation and regulatory powers. Leadership is also needed from State Government and local councils.

Recommended actions:

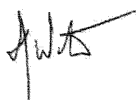
- **Initiate an inquiry into the implications of declining domestic oil production and peaking global oil production for Australia, and the priorities for reform that will promote sustainability in the transport sector. This should include scenarios modelling to assess the consequences of higher oil prices and transport energy alternatives.**
- **Develop a national transport energy policy to guide action including taxation and industry assistance reforms, vehicle design standards and transport planning.**
- **Implement a Transport Energy Strategy for Australia. Priorities for action should include the government fleet and travel, community awareness and behaviour change, green transport investment and land use planning.**
- **Encourage local government participation in the Cities for Climate Protection Program and support reforms in vehicle fleet management to favour alternative fuels and energy efficiency.**

Oil is a finite and valuable global resource. Predictions from a range of authoritative sources indicates that the peak in global oil production could occur between now and 2015. The precise timing of peak oil production and its rate of decline is impossible to predict. However, the cost to the Australian community of being caught unprepared by an oil shortage, especially for our transport fuels, means that we cannot risk doing nothing.

Over the next decade Australia's security of supply of oil is expected to deteriorate as we becomes less self-sufficient (see Appendix 4) and as the proportion of global oil supplied by the Middle East increases. Geopolitical forces and physical supply chain problems may lead to times where supply cannot meet demand, especially if the global consumption of oil continues unabated. Along with the capacity and security of supply issues, a significant and growing constraint on conventional fuel use and the development of alternate sources such as a hydrogen economy or tar sands are the associated emissions of the greenhouse gas carbon dioxide (CO₂) leading to rapid climate change.

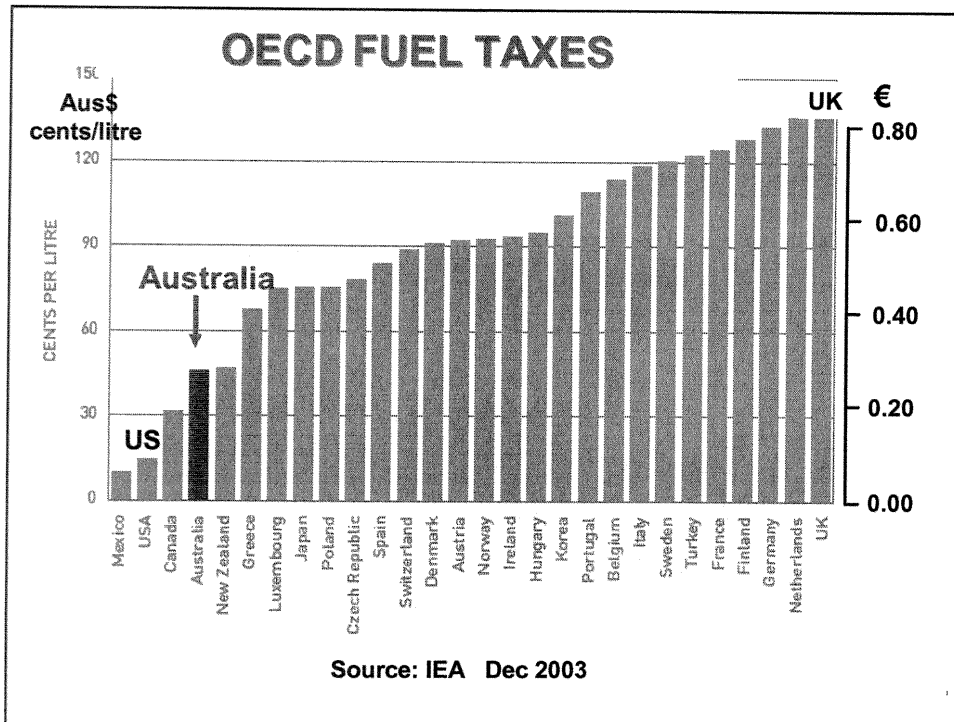
The STC welcomes the chance to provide further information to the Committee via a verbal presentation. We also attach our *Oil: Living with Less* policy that provides additional policy ideas that will assist your Inquiry's deliberations.

Sincerely,

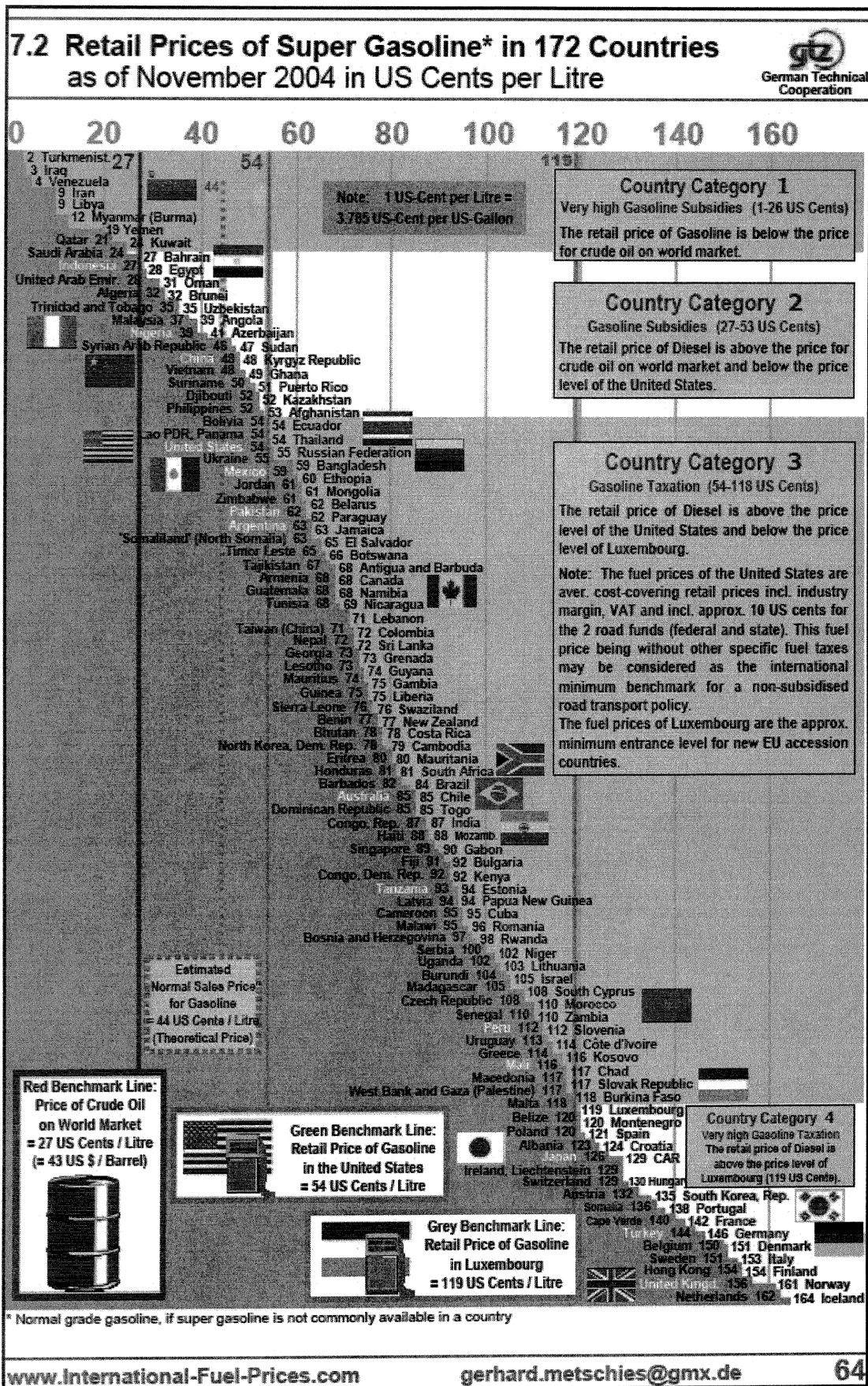


Dr David Worth, STCWA Convenor

Appendix 1.

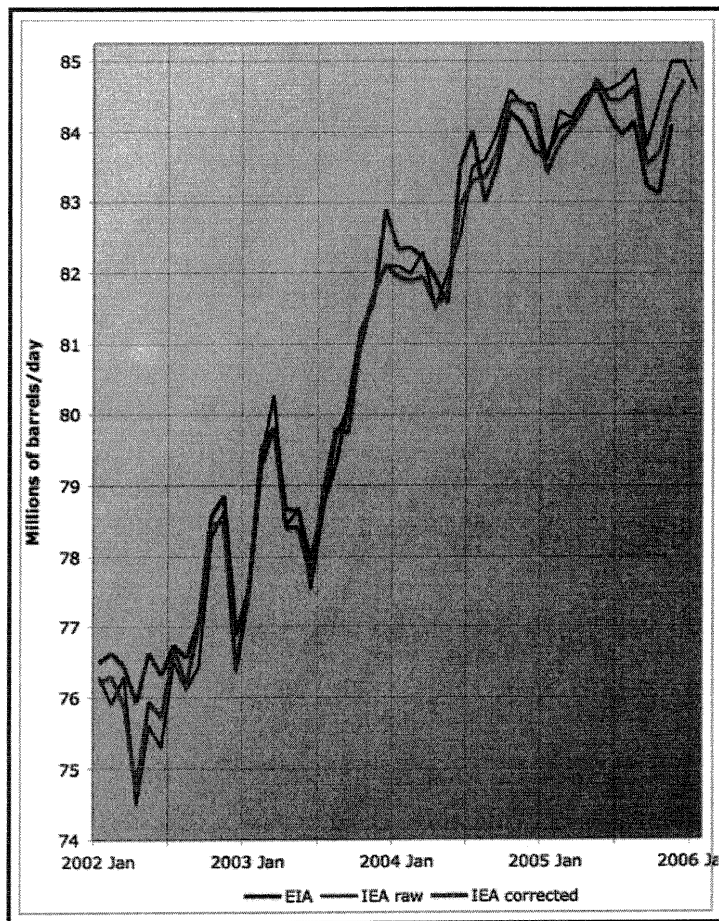
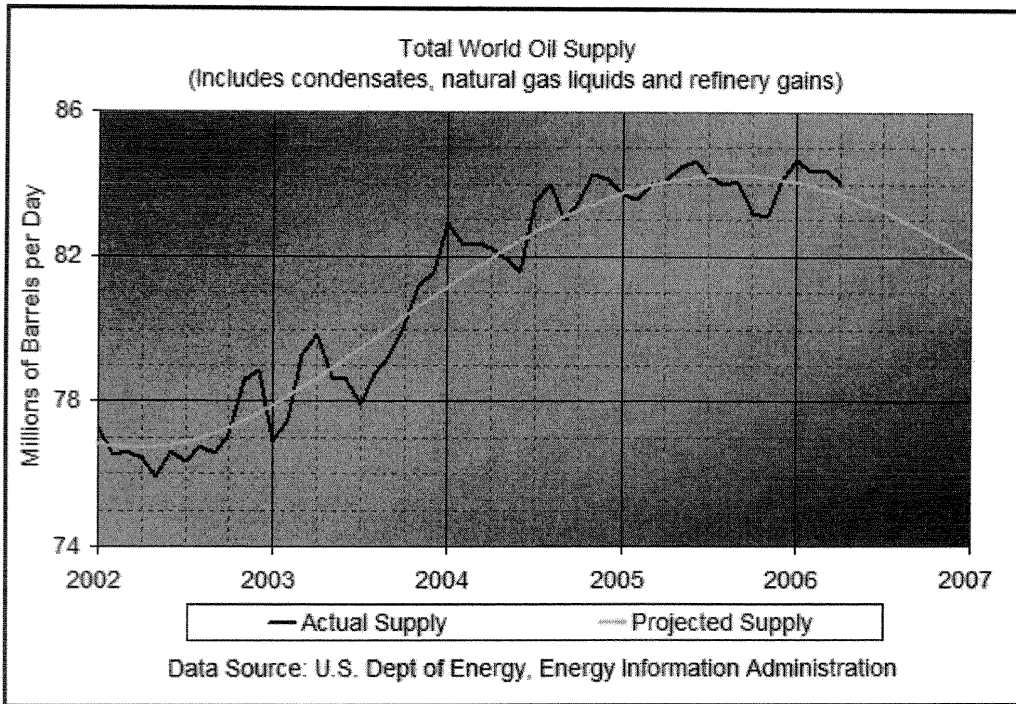


Appendix 2.



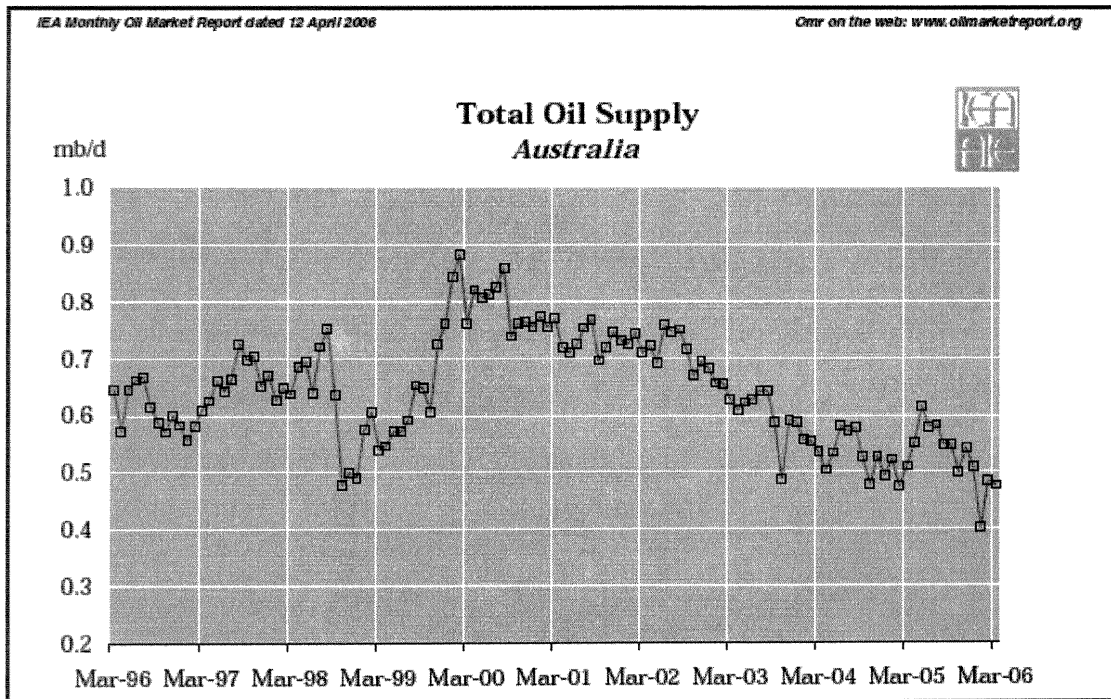
Appendix 3.

World Daily Oil Production (million barrels per day)



Appendix 4.

Australia's Declining Oil Production (million barrels per day- oil and condensate)



Appendix 5.

OPEC Oil Production

(Thousand Barrels Per Day) (Energy Information Administration\Short-Term Energy Outlook -- July 2006)

	07/01/2005	May 2006	June 2006		
	OPEC 10 Quota	Production	Production	Capacity	Surplus Capacity
Algeria	894	1,340	1,340	1,340	0
Indonesia	1,451	900	900	900	0
Iran	4,110	3,800	3,800	3,800	0
Kuwait	2,247	2,525	2,525	2,525	0
Libya	1,500	1,690	1,690	1,690	0
Nigeria	2,306	2,150	2,150	2,150	0
Qatar	726	800	800	800	0
Saudi Arabia	9,099	9,200	9,200	10,500 - 11,000	1,300 - 1,800
United Arab Emirates	2,444	2,500	2,500	2,500	0
Venezuela	3,223	2,500	2,500	2,500	0
OPEC 10	28,000	27,405	27,405	28,705 - 29,205	1,300 - 1,800
Iraq		1,900	2,200	2,200	0
Crude Oil Total		29,305	29,605	30,905 - 31,405	1,300 - 1,800
Other Liquids		4,038	4,143		
Total OPEC Supply		33,343	33,748		

<http://www.eia.doe.gov/emeu/steo/pub/3atab.html>