



24 July 2006

The Secretary
Senate Economics Legislation Committee
Suite SG.64, Parliament House
Canberra ACT 2600

Dear Secretary,

Renewable Fuel Australia represents the commercial producers of ethanol and biodiesel in Australia, distributors and marketers of bio alternative fuels, and service providers (chemicals, engineering, investment etc) to the industry.

Today, with the price of crude oil in excess of \$US75 per barrel, alternative fuels such ethanol are competitive with petrol, and have the capacity to pass on competitive cost savings to the Australian motorist and consumer.

With respect to the independent fuel sector, lower fuel prices are being offered to the consumer. Many major oil company service stations are not passing on these savings to the public, out of concern that this could lower the competitive appeal of their own fuel products.

In these circumstances, where independent service stations are operating, biofuels are having an impact in moderating local fuel prices as oil major sites are actively monitoring their board prices and lowering their own prices to moderate any impact on their fuel sales.

With the benefit of fuel excise exemption to stimulate industry growth, higher biodiesel blends are also offering price competition in the petroleum diesel market. The extent to how long this benefit can be maintained cannot be determined until the full impact of changes imposed on the Australian diesel fuel market under the provisions of Fuel Tax Bill 2006 have been assessed.

Uncertainty also exists over whether the three major oil companies (BP, Caltex, Shell) will meet their declared Action Plan commitment of up to 532 megalitres of biofuels use by 2010. The target set under the Action Plan process for 2006 is 89 to 124 megalitres of ethanol and biodiesel use. Based on the number of biofuels contracts entered into with current biofuels producers, there is genuine doubt that, at this time at least, BP, Caltex or Shell will meet their declared 2006 fuel uptake target by December 2006.

As a consequence RFA has not been in a position to submit a formal submission to the Committee at this time. RFA should, nevertheless, be in a position to provide a more detailed submission to the Committee on the impacts of biofuels on transport fuel prices in Australia by the end of August 2006.

By this time we will also be in a better position to provide a more accurate assessment of the future capacity for the production growth of biofuels in the Australia, and their impact on future prices.

We look forward to having the opportunity of making a more detailed submission to the Committee in the near future, and appearing before the Committee during the hearings process.

Yours sincerely,

Bob Gordon
Executive Director