

Submission to Senate Select Committee

Subject: Fuel and Energy

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Topics

(a) the impact of higher petroleum, diesel and gas prices on families; small businesses; rural and regional Australia; grocery prices, and key industries, including but not limited to tourism and transport:

Everything commercial and domestic in this nation is impacted by the cost of energy specifically electricity, diesel and to a lesser extent petrol.

The simple facts are that when these commodities increase in price that they are quickly passed onto consumers, when the prices fall on the same products they may belatedly be proportionally reduced to the consumers. Generally the products retain the higher prices, on rationales that would befuddle a politician into inaction.

The impacts of energy costs are diverse from road transport, to everything that the transport industry conveys, to personal movement, recreation, tourism, the supply and logistical industries, mining exploration and operations, farming, to power generation, the cost of living through to the cost of all commodities and services, fishing, aviation and rail. All our industries and social activities are directly or indirectly impacted contributing to making our production less competitive and facilitating specifically manufacturing operations offshore. The provision of services by local government and government bodies are impacted by either a reduction in services or an escalation in costs. In this case, Local Government, the costs being passed onto to their captive populations regardless of the population's capacity to pay.

The costs in the supply of materials, foodstuffs, and the basic necessities of life are increased resulting in reduced disposable incomes with the consequence that many producers and industries are negatively impacted, resulting in inferior and unsafe food products

being imported which are not subject to the same extent of controls that are impacted upon Australian producers. From farm to retail, from retail to domestic consumer, due to the escalation effect of costs being loaded onto subsequent goods and services which has a major impact on our aging population, specifically those on reduced and fixed incomes. The potential for significant social discourse is increasing, home resumptions, bankruptcies and liquidations, violence, crimes (shop lifting by previously law abiding pensioners) and suicides as the society is displaced from its accommodation and is progressively incapable of providing for itself.

The consequences of increased energy and fuel prices are obvious, particularly on those of fixed incomes and those impacted by the rising costs of housing, to those on fixed incomes, the impact is massive (particularly if you are a pensioner), increases, in the cost of living, reduced travel, a more obese society (can't take the kids to sports etc) and despite some downward fluctuations in the basic oil price, the additional costs will not be adjusted downward, proportionate to the initial increases, due to perceived gouging and profit taking by alleged cartels and their hangers on.

This progression is a situation which appears to have been long neglected by all sides of politics apart from some cosmetic reactions forced usually by pending elections. Eg compare the price of petrol at \$70 per barrel Katrina to current, despite a \$45 reduction in the price per barrel basic petrol prices are at level indicative of \$140-\$145 per barrel, diesel prices have for years being approximately the rebate level above the price of petrol. Yet no action has been initiated by governments probably due to perceived complicity in the inflated pricing as a beneficiary of the increased prices and greater returns to revenue?

(b) the role and activities of the Petrol Commissioner;

If one is referring to fuel watch, this program has benefit in that fuel retailers must stipulate a price for the next days trading and stick to it allowing consumers to shop around for the best price. It is not a solution but enables the public to shop around for the best price of the product. The critics of fuelwatch, notably certain politicians, should perhaps pay for their own fuel and get off the public gravy

train or at least offer something equivalent to the daily fixing of fuel prices? Fuelwatch in its current form does not address collusion; profiteering an issue government and politicians, regardless of politics, appear reluctant to tackle? At the moment the position of the petrol commissioner is like the UN, unarmed questionably supported, stuck in the middle east watching the artillery shells land on various positions and then saying well you shouldn't do that, but not having any physical, legal capacity and resources to resolve and rectify the issues! Some of you politicians, it is perceived, need to get off your well padded rears and actually do something about the apparent excesses. (Why is BP which adds a cheaper product to fuel permitted to charge the highest fuel cost in WA, despite the fact that 10% of the retailed product , petrol is essentially 90% imported oil and 10% local ethanol, – surely the end product should be cheaper than those suppliers of petrol made from 100% imported oil?). Perhaps some energy companies (Woodside) need to be reminded that the resources they are benefiting from are national resources, do they ultimately seek to see a Russian resolution (eg BP/Shell – Siberia, LPG projects Bolivia?). History teaches us that ultimately corporate excesses, greed will be dealt with in a manner neither beneficial or rewarding to shareholders.

Unfortunately some of our politicians appear to have no problem in attacking workers, particularly on those that are effective and organize, those that have and are prepared to deal with employers in like form. Specifically employers that have historically shown disregard for the safety and conditions of employees (including subcontractors etc). The government, you politicians, for example set up an entire bureaucracy namely the ABCC, (an action which could be argued to be a significant breach of public service ethics/standards, a non political public service, the public service is required to be apolitical? – a department based on a political expediency – the BWIU/BLF/ CFMEU).

© the operation of the domestic petroleum, diesel and gas markets;

The provision of moderate priced energy is a critical cornerstone of any modern nation's industrial capacity and of its potential to engage in significant manufacturing and technological value adding processes. If the cost of energy is inflated beyond reasonable levels,

the technological base of the nation is threatened by offshore movement as is the entire social well being fabric of the nation.

What appears to be missing in this great nation is real effective leadership and a national perspective on what this nations energy needs are and what resources are required to be developed to ensure cost effective delivery. All governments, state and federal appear to have failed the nation significantly and do not appear to have a basic grasp on the essential energy needs to keep pace with the required and anticipated energy supply and infrastructure, example Queensland power incapacity, Western Australia's reliance on a single gas pipeline. This criticism is for ALL politicians and parties, for the political system has been bogged down in peripheral debates, committees and associated political bulldust whilst the basic needs and requirements have been ignored, and the demands for energy infrastructures placed in the too hard basket.

It is suggested that the leadership required for this nation, no that is demanded for this nation as a minimum demands effective planning and physical commitment, it requires, no demands both planning and commitments for the short and longer terms. Unfortunately, with the exception of this Senate Select Committee Review, which has at least sought comments, (whether it effectively acts upon such information is yet to be established?), there appears to be little practical commitment.

There appears to be minimal if any understanding of the concept of strategic reserves. Most notably the role of government in the frameworking and execution of strategic resource planning.

The situation at this moment be it the oil/gas deposits in Bass Strait, offshore WA/NT, the Queensland, NSW and South Australian deposits, as well as the vast uranium and coal deposits within this nation there appears to be minimal leadership in its planning, exploitation for the benefit of THIS nation.

Nature has provided Australia with resources, specifically energy, that countries would and will go to war for and yet our governments still work on the principle of find it, dig it up and ship it out at any cost with minimal consideration for the regions from whence it originates from

being developed apart from the legacy of a hole in the ground at the exhaustion of the ore/mineral/resource deposits. Our governments, major and minor parties appear not to comprehend the need for strategic energy reserves in peacetime, god help this nation in a time of crisis.

Based on other countries experiences, particularly with corporate entities, principle and business practices, surely our politicians understand the need for governments to retain contractually a percentage of energy resources for national emergencies. Some states play around the edges and try, to their credit to require reserve allocations of gas for future consumer requirements,(WA govt/Woodside), others appear to ignore the longer term implications.

We, in Western Australia, have recently experienced a disaster on the gas pipeline in which certain lessons should now be apparent to any potential terrorist set on a course of social and economic disruption. The consequences in this state of this accident/lack of scheduled maintenance was industrial layoffs, loss of employment, mine closure, significant operational costs due to businesses having to pay inflated prices for gas supplies and/or diesel to generate power to maintain their productions, the consequences of which are significant revenue losses for impacted businesses, government and the employees. Surely government, federal and state (considering their reliance on royalties and taxes), should be developing and ensuring a range of contingency plans for such an event ensuring that minimal economic and social impacts are occasioned and that alternate supplies can be quickly expedited.

Energy supplies should be on a higher plane than simple raw materials and yet once upon a time this nation did hold to a concept of strategic reserves (iron ore, manganese) to protect the welfare of this nation. Whatever happened to the concept of strategic reserves, where has the national leadership gone? –, perhaps this issue needs to be revisited?

At this moment the message emanating from our parliaments regarding our national resources, but specifically energy resources, appears to be, get someone to find it, pay a few kickbacks to some vested interests, dig/pump it up and ship it out, minimal value adding

and stuff all technological transfer to this nation. Evidence the iron ore and coal industries. Despite the fact that for example this nation has 40% of the worlds uranium and 90% of the worlds titanium, this nation appears incapable of its processing and the often stated commitments of value adding often espoused by politicians has the certainty and clarity of bulldust.

Other nations have shown some leadership in developing energy self sufficiency, eg - South Africa when confronted with embargoes, it processed its coal resources, surely now with oil at in excess of \$100 per barrel this process is more than economic particularly in Australia. Particularly considering the nation's extensive coal reserves that are available, there should be no need for this nation to even be importing oil and propping up external potentially hostile governments. Again what is needed is leadership from our politicians, politicians who have the ability to work towards national objectives not mickey mouse political grandstanding, politicians who should be concerned with this nations economic, political and social security.

Similarly the significant gas reserves in WA, it is understood some of which could converted to diesel economically based on the current oil pricing. Surely it is time for this nation to look to its own resources to meet the needs for future hydrocarbon fuels, obvious areas being the extraction of fuels from coal, gas. (Perhaps Australian superannuation funds instead of investing in questionable American securities should be required to invest in Australian national projects?)

(d) the impact of an emissions trading scheme on the fuel and energy industry,

There is much conjecture and mass debating regarding greenhouse gases, carbon cycles and emissions trading schemes.

The reality is that potential current carbon impositions, if initiated in isolation from trading countries will be devastating to the Australian economy and to the Australian cost of living. The concept put forward regarding emission control, although its aims and intentions are very noble, it appears limited in its understanding of the consequences not unlike other initiatives put forward and executed in the past by

governments. Example the stolen generations?, the cane toad? alternatively the development of green carbon sinks, forestry, tax credits, what is the position if the forest burns down and releases the carbon contained there in?

Simply put for this nation of 21 million to save the earth, the consequences of uncompetitive industry, unemployment, the resulting decline in living standards and social welfare systems are basically fatal for the nations economic and social well being. Particularly if this nation takes it on its own without major polluting nations such as India, China, Russia and all the countries receiving our raw materials etc equally dealing with the issue.

The sad reality is that, one ongoing single event such as the melting of the permafrost in the Arctic region in the northern hemisphere will release more CO₂ than currently exists in the current atmosphere. A partial cause, pollution, the industrial activity in the northern regions specifically, deforestation of Siberia – don't believe me, just check the satellite images ref Google Earth, the reduced solar reflection, the receding ice line in North America and Siberia, the massive reduction of natural forests throughout the globe, all contribute to the imbalance of oxygen/carbon dioxide ratios, the consequence being the greenhouse effect and a gradual warming of the earth. The fact that Australia imposes financial penalties on its citizens apart from impacting on the Australian way of life will contribute very little to the problems resolution. The cost will outweigh the benefits.

The sad probability is that it is understood that if the Arctic permafrost is melted, coupled with the earths population doubling in the next 40 years, it is estimated that the sea levels may increase in excess of 100 metres in height. (A new Cretaceous period?) The ratio of oxygen to carbon dioxide will be seriously reduced (due to the reduction in oxygen, specifically the photosynthetic processes, the reduction of generating microorganisms in the sea, reduction of forests (deforestation – equatorial and northern hemisphere), the continuing pollution of the oceans (dead zones - Gulf of Mexico, Black Sea), the massive reductions and imbalances of sealife, the release of captured CO₂ as a consequence of the rising sea levels, the continuing proliferation of oceanic dead zones is that this earth may be faced with another mass extinction, OURS? This potential

consequence should come as no surprise; again check the geoscientific record, its all there?

The reality is that Global warming, its causes are complex and will not be resolved by emissions trading executed by a nation with a population less than a single city of one of its main trading partners. The issue is critical and is truly international, and is not confined to the simple expediency of reducing greenhouse gases, nor is it a local political issue, for example one of the beliefs as to why the climate is changing again on this planet is the alteration of the tilting of the earth's axis, a situation way beyond man's current capacity to resolve!

Global warming is a known geological, geoscientific event, it has occurred previously, many times, not unlike an asteroid heading towards the earth circa K/T 65M and a known geological threat. It demands serious and committed international action on many levels. If the current government, based on its apparent fluctuating commitments, due to various lobby groups, and is serious on this issue it needs to review the entire issue using the geological record to better understand the issues not some vested interest greenies who want to save the red bearded budgie. It needs to marshal all resources available develop a strategy and a plan based and supported internationally, it needs to use resources such as the CSIRO and like bodies, after isn't that why they are funded and exist. "oops funding cuts again????"

The climatic issues confronting this planet are far more complex than mere global warming and the reduction of pollutants from exhaust emissions, for example it includes the massive increases of dead zones throughout the worlds ocean, areas where there is insufficient oxygen to support life, (Gulf of Mexico) the main cause being pollution from rivers and stream with excessive fertilizers, perhaps you politicians before getting too excited about imposing taxes that will destroy the economic status of this nation, should initiate some research regarding the creation of dead zones in Australian waters, example the run off of Queensland rivers impacting upon the Barrier Reef, specifically killing the reef. Perhaps even consider systems that can quickly and efficiently minimize such occurrences? Actions such

As damming those offending rivers and directing the water into the ground water system or better still diverted into arid pastoral territory. Better still, fertilizers that will not leach into rivers, the control of erosion to prevent turbidity etc.

Surely if you politicians were serious about global warming, not just a cosmetic and populous approach, the reduction of green house gases, specifically carbon you would be not talking about alternate power stations (nuclear, thermal, solar, wind or others) you would be building them. Oops, sorry you guys, you have or are in the process of selling off all the power generation systems to the private sector haven't you? So what exactly are you proposing to do, apart from imposing a new range of taxes, levies or other nicely defined financial impositions?

To impose taxes, penalties on users of electrical power etc and yet export raw unrefined iron ore and coal without levies, demonstrates absolute insincerity to the issue, and a lack of commitment, after all one tonne of iron ore can require up to 8 tonnes of coal for smelting (how many tonnes of CO₂ would that generate, is it acceptable that such production of CO₂ is done offshore?) If iron ore is sold with carbon levies imposed will the purchasers even buy our raw materials? Obviously countries like China and other consumers of raw materials will seek to obtain their raw materials at best prices, that means minimal overheads and no levies etc, are you prepared for example to lose the Australian iron ore export market? Other countries will willingly export the iron ore required without any attachments! Again are you prepared to destroy the Australian export market, an industry that is now the backbone of the Australian economy?

(e) the existing set of state government regulatory powers as they relate to petroleum, diesel and gas products;

- Governments, local state and federal need to get their act together, streamline the processes administrations, environmental issues, there is a screaming need for standardization, simplification and a significant reduction of these taxes, imposts. There should be a national safety health transport and storage standards which should

be universal throughout this nation. The concept of individual state and local government fiefdoms needs to be eliminated! This cost need to be reduced, if not eliminated. Eg explosive goods act in each state??????

There needs to be a national policy of energy dependency and supply, identifying the what if's scenarios ensuring the long term sufficiency for this nation.

(f) taxation arrangements on petroleum, diesel and gas products;

- in a nutshell the imposition of GST on the inflated value of fuel product prices inclusive of government excise is unacceptable and frankly sucks, both taxes are imposed by the Commissioner of Taxation under federal law and therefore the two taxes (forget the bull-dust regarding definitional niceties) are imposed on the same product the difference being that at the moment the gst is intended to be provided to state governments, excise for the Commonwealth. The imposition of gst on the inflated cost of fuel merely serves to make industry more uncompetitive, increases the costs of production and ultimately impacts upon ALL consumers. If the revenue gained (gst) was used (100%) to develop alternate energy resources or alternate energy sources there may be some merit in its imposition but to merely top up state and federal finances for questionable deployments or even pork barreling I believe serves this nation little long term benefit.

(g) the role of alternate fuels to petroleum and diesel,

The ultimate aim of this nation must be to ensure this nation's self sufficiency so that this nation is not held hostage to international cartels etc whilst at the same time reducing the negative impacts upon the environment and society in general from any emissions.

What we have heard in the past from politicians of all colours is a lot of talk, working parties, committees and other gab fest arrangements, what we have not seen is real effective commitment. The US Navy has been using nuclear energy for in excess of fifty years, Australia is still to develop a nuclear power plant despite our resources and the technological opportunities that could be developed.

Australia could be developed, with intelligent leadership and intelligent politicians. into not only a bread basket for the world but also as a supplier of refined clean nuclear energy, energy supplied on a lease basis whereby the rods are required to be returned for reprocessing (reducing the risk of plutonium development) for the issue of subsequent new energy rods. Yet many of you politicians appear to not comprehend the opportunities that this industry can provide to this nation and many other nations of the world not endowed with the resources that we possess. Sure there are risks, as there are with motor vehicles and aircraft but I don't see any of you banning or denying the use of either despite their history of injury and pollution.

This nation demands government leadership and a national plan for the future not only with regard to our current and future energy needs but also understanding of the needs of our neighbours and allies Moreover it demands physical and effective commitment to the acceptance and use of new technologies something that this nation has been seeking for many years.

(h) the domestic oil/gas exploration and refinement industry; and,

Companies undertake exploration in this country not because they like us Aussies,, but because geologically there is a good chance on their discovery of economic ore/energy reserves that can be exploited maximizing profit for themselves and their shareholders. This country has in the past allowed significant exploitation and minimal resource commitment (value adding demands) and has for the past hundred years operated on the quarry concept, you find it, dig it out, pay some royalties (minimal(check the Gairdner Commission

Frankly energy resources due to their critical nature to the nation both in peace and in other times must be considered as part of a strategic resource, an issue which politicians appear to be ignorant of. In the main exploration leases are a state issue unless involving international waters of the continental shelf (Australian territory not that of a state).

Mineral exploration, it is suggested, should be undertaken on a national joint venture basis (the state being regarded a bit like the farmer who allows share cropping – the states contribution being the lease to be explored) and perhaps even the current Russian model applied, Sakhalin Island? Once a field is defined, percentages are assigned for the participants, each to do with what it requires.

Obviously private companies have in the past have been accused of over inflating their expenditures and therefore their contributions to the joint ventures in order to maximize their allocations? Too many resources, mineral leases are currently tied up in this nation by companies, not acting in the national interest, that are merely sitting on the titles doing minimal exploration activity and minimal development. In many cases it is suspected due to the inadequacy and unpreparedness of the State governments either being able to efficiently monitor the corporations activities to comply with various commitment provisions or those same departments slack enforcement processes or worse financial considerations being applied to persons of authority?.

Over in the west there is a move with regard to mining that in effect states “use or lose it” recently applied to Rio /Cazally which it is believed is now being considered for application to a number of other leases. Similarly exploration leases should require financial and actual commitment for a defined period then the title reverts fully back to the state unless developed. This would then prevent companies tying up vast areas of this nation’s resources without them having to undertake the next phase, development, thereby enabling others to develop those resources for the benefit of the nation.

(i) the impact of higher petroleum, diesel and gas prices on public transport systems.

In simple terms, the consequences will be that private transport usage will reduce, particularly from persons on lower incomes already stressed by higher housing repayments living in the suburbs well out from central business and employment centers, the needs for better, more frequent public transport systems will result, (although this is

unlikely to occur with any expediency due to the fact that many states have already sold off their public transport systems to private sector operators), Private sector operators will require some guarantees before they will purchase new fleets and the significant capital outlay, costs which ultimately exceed the provision of transport via a public sector, government owned instrumentality.

There will be a critical need and use of vastly improved transport systems. Future public transport systems will most likely be based on electrical power, gas LPG/Natural gas or some form of biodiesel.

With regard to electrical powered transport the key question is the capacity of industry to develop a suitable power battery and quick replenishment system that equates to conventional petrol/diesel *transport systems. Alternately a very long tangle free extension chord?* Perhaps as a suggestion to secure new technology regarding an effective battery system – the running of a national incentive competition run on the lines of Unlock the wealth – Barrick Mining, whereby individuals, institutions asked to develop such a power resource battery suitable for public and private transport having a range of 750 kilometres and being able to be recharged in 10 minutes? The prize \$200 million.

One major question for now and the future is exactly how electricity is to be generated; (Gas, Nuclear, Wind , Geothermal, Tidal, Solar, Coal – Clean coal all venting/exhaust systems processed through scrubbers and industrial rebreather systems removing the CO2 and carbon components for recycling.

Personal transport in the majority of states however, specifically the country and mining regions, you know the areas that actually develop the export wealth of this nation, due to the scale of economies, public transport will be incapable of meeting the public needs and there will be a need for a form of refillable energy for motor vehicles and industrial equipment. In the short term biofuels, hydrogen, ethanol etc may be developed, unfortunately biofuels and ethanol based on current technologies will place demands and limitations on food production cycles which in turn will increase basic foodstock prices with the result of civil unrest throughout many parts of the world dependent on such crops.

Wherever possible commercial traffic should be encouraged to use electric rail either light or heavy as appropriate as main feeder systems. Obviously the national transport grid, highways should require the conversion from road transport to modified road rail, example roll on roll off, diesel trucks being placed onto rail flat cars and railed to national capitals. Cost not to exceed the cost of diesel fuel for similar trip distance and in fact a premium be offered to encourage transport operators to place such loads on rail. Accommodation for drivers to be located on same train so driver if required may accompany vehicle load to destination. Rail to upgrade to ensure delivery times competitive to road transport

Summary

Energy supply, its creation, planning, commitment and contingencies are critical to the well being of this nation and everything that this nation represents. Without it we may well end up like the original inhabitants?

Australia's future domestic, commercial and industrial energy needs will more than likely be met in the main through electricity, the real issue is how that electricity will be developed and the peripheral technologies to develop an efficient transport vehicle. There appears to be many cases for and against each of the main potential sources. Decisions need to be made, enacted and delivered.

What this nation needs is less talk, and more commitment and construction to address the current and future needs.

For the average commuter there is a need to develop an effective, efficient means of vehicular transport to that end again perhaps the solution will be a combination of semi conductor research coupled with the development of a battery/electrical system that can emulate the best of the current vehicle transport options.

I would suggest that following, a national or even international competition run on the lines of Unlock the wealth – Barrick Mining, challenging individuals, institutions and companies to develop a power resource battery, a rechargeable battery suitable for public and

private transport, capable of providing motive power to 110k/h, to move a vehicle of 1 tonne, carrying two adults and three children a distance of 750 kilometers on a single charge and being able to be recharged in 10 minutes? The prize \$200 million dollars tax free, the conditions, all the patents, rights and copyrights to be the property of the state.

Before you go and say oh this is ridiculous and dismiss this suggestion out of hand, this approach is neither new nor radical as similar approaches have been done by Goldcorp, a prize of \$5 million resulting in a new ore body gold of \$500 million, and Barrick prize \$10 million potential benefit to Barrick Mining - Veladero mine and others \$3-4 billion of currently unprocessed silver? The real question is this Senate Review dinkum or not, time will tell?

I wish you the best in your review and hope that this review is not one that sits unactioned, or orphaned due to the lack of intestinal fortitude from those to whom the report is ultimately tendered.

With regards,

Peter Hulme

28/8/2008