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31 July 2009

Ms Naomi Blasser
The Secretary
Senate Select Committee on Fuel and Energy
PO Box 6100
Parliament House
Canberra ACT 2600
fuelenergy.sen@aph.gov.au

Dear Ms Blasser

Please find attached a submission to the Senate Select Committee Inquiry on Fuel and Energy.

I would be pleased to discuss the submission with the Committee.

Yours sincerely

Frank Topham
Manager Government Affairs & Media

Senate Select Committee Inquiry into Fuel and Energy

July 2009

Overview

Caltex welcomes the opportunity to provide its views on the key issues before the Senate Select Committee on Fuel and Energy. On the 16 June 2009, the Senate expanded the committee's terms of reference to consider a number of issues. Caltex has focussed this submission on the following:

- (f) taxation arrangements on fuel and energy products
- (g) the role of alternative sources of energy to coal and alternative fuels to petrol and diesel, including but not limited to: LPG, LNG, CNG, gas to liquids, electricity and biofuels such as, but not limited to, ethanol
- (h) domestic energy supply and domestic oil/gas exploration and refining industry.

Energy security is an emerging strategic issue. Over the coming decades the developing world's growing demand for petroleum products will create increased competition to secure supply of these products. Without a viable refining industry Australia would be exposed to the risk of less reliable fuel supply in addition to the loss of the economic value added to the Australian economy.

Energy consumption in the form of fossil fuels is a large part of the climate change problem. We require a global solution that greatly reduces greenhouse gas emissions while maximising economic growth. Carbon pricing and other regulatory interventions to address climate change are necessary to reshape energy supply and demand.

However, the current proposals for an emission trading scheme, which fail to fully maintain international competitiveness, pose a significant risk to many emission intensive trade exposed (EITE) Australian industries without reducing global greenhouse gas emissions. As an EITE industry, this risk applies to oil refining which is a crucial link in the supply chain for petroleum products; the chain would not be strengthened by the removal of one of its links. Current emission trading proposals therefore threaten energy security as well as oil refining investment and employment.

Caltex believes alternatives to conventional refined petroleum products will be increasingly important to reduce greenhouse gas emissions and increase energy security. While conventional fossil fuels including refined products will remain dominant over the next few decades, alternatives will make a relatively small but significant contribution and energy policy should support this diversification of energy supply.

In Caltex's view, reliable, affordable and secure energy supplies are critical to Australia's continuing economic prosperity.

Specifically, Caltex advocates an energy policy framework that includes:

- full maintenance of international competitiveness for oil refining under an emission trading scheme, for example through the allocation of free permits under the CPRS until international competitors face the same carbon costs, or the equivalent maintenance of competitiveness under an alternative emission trading scheme design
- implementation of a package of measures to reduce the carbon intensity of road vehicles including carbon efficiency targets, financial incentives for consumers of fuel and vehicle manufacturers, and other measures to reduce transport emissions through improved public transport and land use planning

- the design and implementation of a comprehensive, integrated policy for the development of an economically and environmentally sustainable Australian biofuels industry
- implementation of the taxation arrangements for liquid fuels including biofuels outlined in the 2004 energy white paper, supplemented if necessary by additional transitional assistance for the development, production and distribution of sustainable biofuels.

Caltex appeared before the Senate Select Committee in February 2009 and provided its views on the proposed Carbon Pollution Reduction Scheme (CPRS). The Committee in its May 2009 Interim Report recorded these concerns. Caltex's views on the CPRS are also set out in its submission to the Senate Select Committee on Climate Policy.

In summary Caltex's submission to the Senate Select Committee on Climate Policy makes the following key points:

- the CPRS (or an alternative emissions trading scheme) should not start effective operation until properly designed and economic conditions return to normal
- the international competitiveness of emissions-intensive, trade-exposed industries should be fully maintained (for example through a 100% free allocation of permits under the CPRS) until overseas competitors have equivalent carbon costs
- the excise reduction for motorists and certain other fuel users under the CPRS has made their inclusion environmentally ineffective for many years yet will create massive churn in emission permits
- as a consequence, private motorists and some commercial users should be excluded from the CPRS and simple, practical proposals are made to achieve this
- various complementary measures should be implemented to help reduce emissions from transport including the development of alternative fuels.

Caltex's business

Caltex is a refiner and marketer of petroleum products in Australia, with operations in all states and territories. It has an estimated wholesale market share of more than 30 per cent of the major transport fuels (petrol, diesel and jet fuel) supplied nationally. It has a branded retail petrol market share of about 16% nationally (excluding Woolworths co-branded sites), although sites at which Caltex sets the price account for only 5% of petrol sales.

Caltex accounts for around 35 per cent of Australia's oil refining capacity. It owns and operates two of Australia's seven operating oil refineries – at Kurnell in Sydney and Lytton in Brisbane. Between them, the Caltex refineries have the capacity to process 244,000 barrels (about 39 million litres) of crude oil per day.

Caltex produces mostly high-value transport fuels which contribute to the growth of the economy and provide significant employment. The two refineries directly employ 874 Caltex workers and around 550 contractors. These numbers can escalate when there is major maintenance and project work, growing by a further 1,200 workers to bring the total number employed to about 2,600.

Caltex refineries will spend an average of \$100 million per year over the next three years on capital expenditure and approximately \$60 million per year on the major maintenance projects that are required regularly in all oil refineries.

As an oil company, Caltex has a focus on the future of liquid fuels. Caltex is diversifying its fuels portfolio with investments in terminals and service stations to sell biofuels blends to retail and commercial customers. Sustainable biofuels are likely to play a relatively small but still significant role as a future fuel for internal combustion engines, including petrol-electric and diesel-electric hybrids and possibly jet engines.

The outlook for oil refining

The petroleum product market in the Asian region, including Australia, continues to be adversely affected by the global economic slowdown. Significant new refining capacity is being commissioned, which is expanding regional petroleum product supply. The consultant Energy Security Analysis Inc. (ESAI), projects that demand will continue to fall in the second half of 2009 as "OECD Asia's economic performance remains poor."

2009 will be the first year since 1982 that global oil demand has dropped. The International Energy Agency (IEA) says the global recession has shelved spending on 2 MBD of planned oil production capacity worldwide and almost as much refining capacity, creating a potential supply crunch when demand recovers.

In its most recent forecast, the (IEA) projects global oil demand will rebound to 85.18 million barrels per day (MBD) in 2010, up 1.42 MBD or 1.7% from this year's average of 83.76 MBD. (a barrel is 159 litres.)

Petroleum consultants Wood Mackenzie predict that Asia Pacific oil demand will fall 1 MBD in 2009. This is in contrast to strong growth in earlier years.

Earlier this year, the IEA projected Chinese oil consumption to grow just 0.7% in 2009 to 7.9 MBD, compared with 4.3% in 2008, 4.6% in 2007 and 7.8% in 2006. The average growth projection masks a significant drop in Chinese demand in the final quarter of 2008, with the Chinese Government estimating oil consumption in the fourth quarter of 2008 as 3.6% below the same quarter in 2007; consumption of diesel, which is the main industrial fuel, fell 8% in this period. This fall reflected the rapidly escalating impact of the global economy on China. While recent more optimistic signs of growth in China may have changed their forecasts somewhat, the overall picture remains valid.

With falling demand, particularly for diesel, and increasing refining capacity, ESAI says Asian refiners will continue to respond by slashing refinery production. Despite this, increasing supply from new refiners coming on stream and further reduction in Asian demand in second half 2009 are likely to lead to production surpluses and reduced refining margins.

As Australia is a net importer of refined petroleum products, predominantly from Singapore, Australian petrol and diesel prices are based on import parity with Singapore benchmark prices. As a result, the profitability of Australian refineries is likely to be adversely impacted by the fall in US\$ refining margins in the Asian region.

Slowing GDP growth with the potential for rising unemployment may put pressure on transport fuel volume growth and continue to impact both refining and marketing margins in the coming year. This is already noticeable in a decline in demand for petroleum products in Australia. Data from the Department of Resources, Energy and Tourism (DRET) shows that sales of diesel in the calendar year to May 2009 were 2.5% lower than the same five months of 2008. This is a key indicator of economic growth in Australia, with declines in diesel demand not seen since before 2001. DRET also reports a 2.0% drop in petrol sales over the same period and a 2.4% drop in sales of all petroleum products.

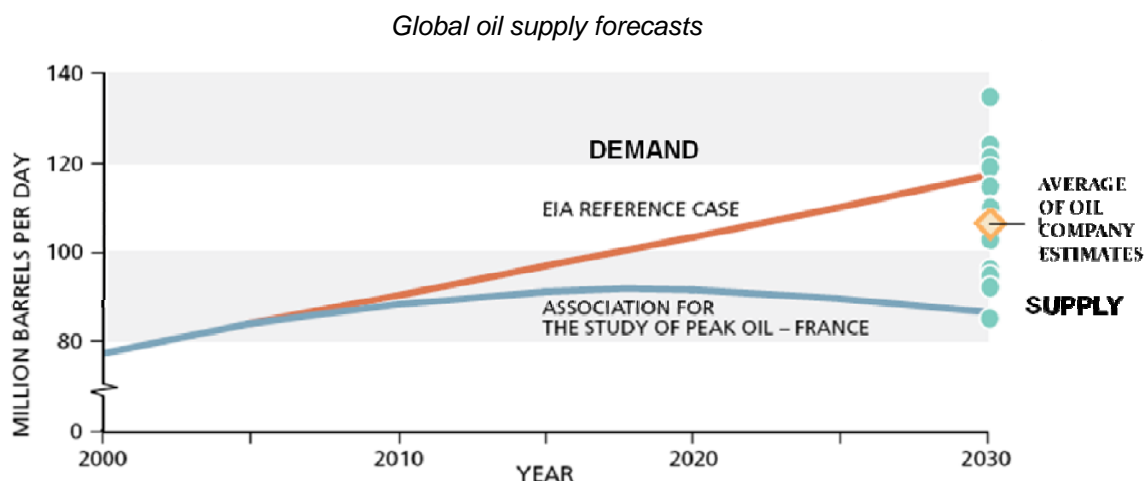
Over the next decade Caltex projects demand for petrol to be fairly flat but demand for diesel and jet fuel is projected to grow at 3 to 4 per cent per annum. Petrol demand growth will be reduced by increased fuel efficiency and penetration of biofuels. Diesel demand is closely linked to economic growth and jet fuel to tourism. In 2007, for example, diesel demand in Australia increased by over 6 per cent due to strong growth in the industrial, mining and transport sectors.

Strong growth in demand for diesel and jet fuels means that imports will grow as no new refineries will be built in Australia and capacity increases at existing refineries will be much less than demand growth. Imports equalled 37% of petroleum product sales in the 5 months

to May 2009, although this would have been about 30% if the Clyde Shell refinery had been in operation.

Imports in 2015 could equal 30 to 40 per cent of demand for petrol, diesel and jet fuel. By 2030 imports could be 50 to 70 per cent of demand

It is generally accepted that oil demand will outstrip conventional oil supply in the foreseeable future, leading to higher oil prices or even oil price shocks if supply is very tight. By 2030, more than half the oil production will have to come from the development of existing reserves and growth in production will have to come from unconventional oil resources. Large conventional oil resources are located in areas that are subject to substantial risk and unconventional oil resources are costly and technologically challenging.



Maintenance of the viability of oil refining in Australia

Australia currently imports approximately 30 per cent of its petroleum product requirement (excluding the impact of the temporary Shell Clyde shutdown.). This proportion is likely to grow, as there is limited scope to increase domestic production from existing refineries. The growing demand for imports raises the threshold issue of ensuring an appropriate balance is achieved in meeting our petroleum demand from domestic or imported sources. Australia's longer term energy security and supply reliability will rely on getting the balance right. Oil refining is a crucial link in the supply chain and relying on overseas refineries for our petroleum products would expose all industries and private consumers to unnecessary risk.

If there was a substantial reduction in Australian refining capacity, Australian-grade fuel could become harder to obtain and premiums for Australian grade fuel could increase, depending on the rate at which Asian countries move to fuel standards similar to Australia. Freight costs could increase if importers had to place orders with refineries outside Asia, for example from the Middle East.

Refineries add security to the supply chain by providing a reliable base load supply. Established import supplies and terminal stocks can then be used to optimise the supply chain between refining and imports and respond to planned and unplanned shutdowns. In contrast, relying on an import supply chain that takes up to two months to get finished product to market would create greater risk of supply disruptions with potentially serious economic impacts on fuel users.

Several key refining projects in Asia have recently started up or are now set to either commence operations or ramp up capacity in order to meet the capital funding costs of constructing and bringing online the new refineries. The bulk of this capacity stems from China's Huizhou (240,000 barrels/day) and Quanzhou (160,000 barrels/day) refineries, Vietnam's Dung Quat refinery (140,000 barrels/day) and India's Reliance plant (580,000 barrels/day). ESAI forecast that Asia's petrol surplus will average 80,000 barrels/day for the 2H 2009 while diesel surplus is projected to be 290,000 barrels/day in 2H 2009.

The large modern Asian refineries have economies of scale that mean lower unit costs than Australian refineries and higher energy efficiency. New refineries in India, China, Korea, Vietnam and Indonesia will seek to buy the crudes that Caltex has traditionally bought from the region, increasing demand and reducing available supply. New Middle East refineries will also be looking to export into the region. These refineries will be designed for heavy (high density), sour (higher sulfur) crudes but will compete for the regional light sweet crudes used in Australia which will have diminishing availability.

Staying competitive requires strenuous efforts by Australian refiners to improve efficiency and cut costs. It also requires all governments to avoid imposing costs that cumulatively threaten refining in Australia.

Liquid fuel security can be achieved but governments have to recognise the problem and take it into account when decisions are made on many different regulatory issues. Oil refining, distribution, wholesaling and retailing are competitive businesses. Shareholders will only continue to support companies that have good short and longer term prospects. These prospects depend at least in part on whether governments and the community at large recognise the importance of the Australian refining industry to our economy.

Reduction of greenhouse gas emissions from vehicles

Carbon prices would do little to change motorists' consumption behaviour. The necessary changes to reduce greenhouse gas emissions will come mainly from new vehicle technologies, with carbon prices having little impact on this technological change. Once new vehicle technology becomes economic drivers will switch from fossil fuels to electric vehicles and vehicles using other renewable non-fossil fuels, including biofuels. The focus of policy has to be on reducing emissions from consumption of liquid fuels, not their production, as emissions from use of liquid fuels are about 20 times emissions from production in Australian refineries.

Significantly higher future oil prices will have a greater impact than carbon prices as drivers seek to reduce the costs of running their cars and seek ways to achieve greater energy efficiency. For example, an increase in oil prices of US\$50 per barrel is equivalent to a carbon price of about A\$170 per tonne of carbon dioxide¹ and such an oil price increase seems quite plausible once the global economy resumes reasonable growth. Taxes also play a part in driving vehicle efficiency as evidenced by the significantly greater fuel efficiency of European vs US vehicles due at least in part to much higher fuel price. Even in Australia the 38 cpl excise on petrol is equivalent to about \$160.00/t CO₂.

Carbon prices will have very little impact on demand for petroleum products because it is fairly inelastic with respect to price and taxes are already quite high. In order to reduce the emissions from vehicle use in Australia, it is necessary to examine vehicle technology, new fuel sources and non-price measures such as improved public transport, infrastructure and urban design. Australia can benefit from the experience of other countries, with the European Union an example of achieving reductions through complementary measures. Transport is not part of the EU emissions trading scheme, although air travel will be included after 2012.

The 12 million passenger vehicles in Australia constitute 77% of the fleet. The average age of the passenger vehicle fleet in 2007 was 9.7 years, with about 20% more than 15 years old. In recent years, the composition of new passenger vehicle sales has changed significantly, with a marked increase in the sale of smaller cars.

It is widely accepted that the elasticity of fuel use with respect to petrol prices is very low in the short term, as vehicle owners often have limited opportunity to change travel patterns or switch to more fuel efficient vehicles. The demand for road transport tends to respond slowly to changes in the price of fuel.

¹ At exchange rate of 0.80 US\$/AU\$

The CPRS is expected to provide a cost effective approach to reducing CO₂ emissions on an economy wide basis but will not have a significant impact on emissions from transport. Governments in Australia have implemented a range of measures aimed at reducing CO₂ emissions from transport including National Average Fuel Consumption targets, the Alternative Fuels Conversion Program and government biofuels measures. The impact of these measures is estimated to be 1.8 Mt CO₂-e per annum over the Kyoto period and 5.0 Mt CO₂-e in 2020. As a percentage of total road transport emissions these projected savings are small, representing 2% in 2010 and 4% in 2020.

Modelling for the Future Fuels Forum projected that a greater shift toward public transport, rail and sea freight and lighter vehicles could, by 2050, reduce kilometres travelled by 30 per cent and greenhouse gas emissions by 17 per cent.

A combination of measures is likely to achieve better results than any single measure. It is also worth noting that while short term gains are possible in terms of influencing purchasing decisions, the 10 to 15 years it takes for new vehicles to become dominant in the vehicle fleet means that it will take considerable time to achieve significant change to the greenhouse gas emissions of the vehicle fleet from the introduction of new vehicle technologies and/or some fuels.

Caltex believes that changes in vehicle technology will be the key to reducing emissions, together with greater reliance on alternative fuels.

Caltex proposes the following package of measures

- take motorists and light commercial vehicles out of the CPRS while retaining carbon liabilities for heavier vehicles (see Caltex submission to Senate Economics Committee inquiry into the CPRS bills for details)
- monitor carbon efficiency (in grams/kilometre) against a set of voluntary targets that are comparable to other countries.
- provide incentives to consumers to purchase the most fuel efficient vehicles available from manufacturers in Australia, Europe, the US and other regions through a “feebate” scheme that provides “cashbacks” for low emission vehicles, funded by fees on higher emission vehicles.
- provide grants for research, development and demonstration of low emission vehicles and low carbon fuels, including biofuels, tailored to developing Australian manufacturing capability and fuel distribution infrastructure
- other policies including consumer education, improved public transport and road management, and better urban planning to reduce transport emissions.

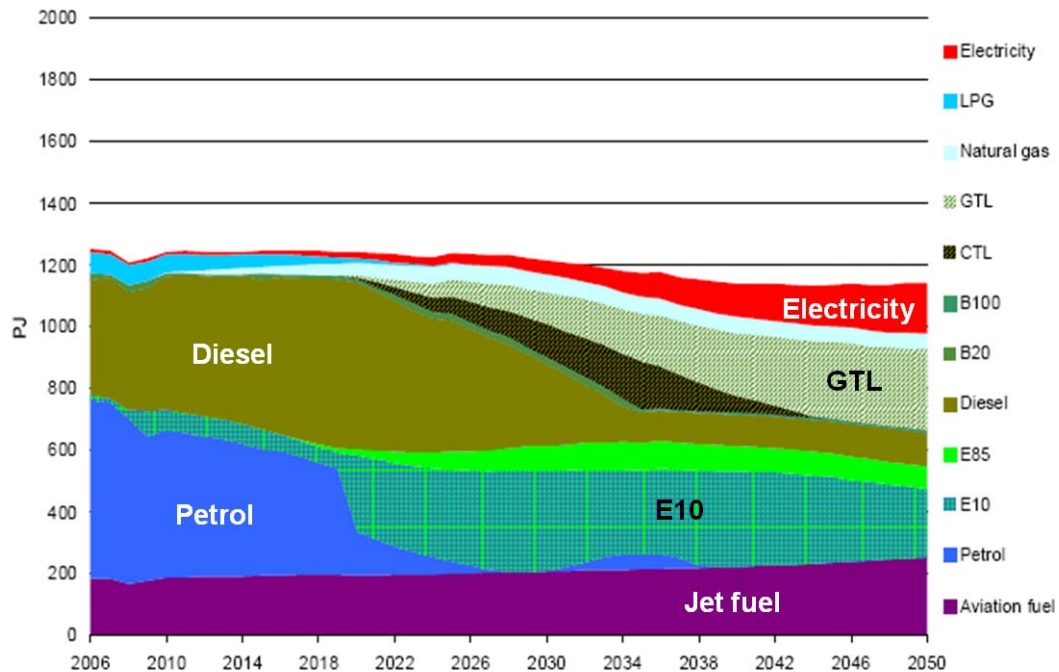
Development of sustainable biofuels

Transport in Australia, as in much of the world, is highly dependent on petroleum-based fuels, with alternatives accounting for only three per cent of total fuel consumption. Road travel contributes 89 per cent of total greenhouse gas emissions from transport. Higher prices associated with tightening oil supply should see a move towards the greater uptake of biofuels and synthetic fuels with lower life cycle emissions. However a key issue for government policy is whether market signals alone, in the form of oil prices and carbon prices will be sufficient to drive change sufficiently fast to meet political and public objectives.

A particular issue is inclusion of transport (or parts of transport) in the CPRS. The introduction of emissions trading alone is unlikely to significantly change fuel use in the transport sector. Even a A\$100/tCO₂e permit price would only increase the cost of fuel by around A\$0.25/L, which is significantly less than the impact of oil price movements in the four years to 2008. There is likely to be a steady shift toward lower emission fuels and vehicles but the role of carbon prices will be minor – the main drivers will be oil prices and regulation of carbon emissions per kilometre.

Over time, it is projected that transport fuel demand will be met from a diversity of fuel sources, with growth in many alternatives to refined petrol and diesel (see chart below – although this is just one of the many scenarios that are sensitive to oil prices and production cost assumptions). This does not pose a threat to domestic refineries as alternative fuels will generally offset imports, not refining production.

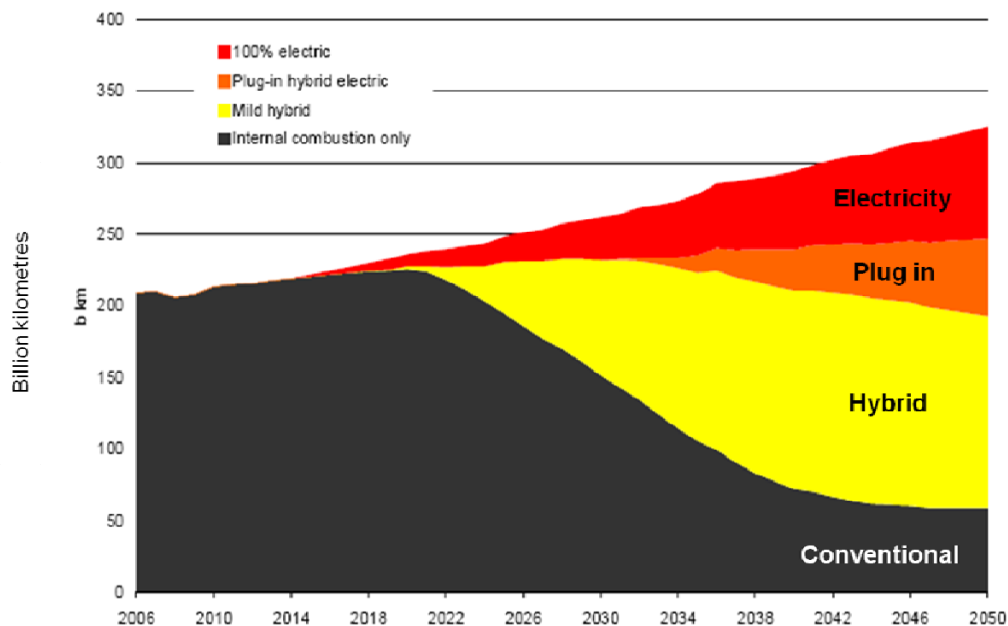
Increasing reliance on alternative transport fuels



Ref: CSIRO (2008) *Modelling of the future of transport fuels in Australia*, Figure 17. EIA high oil price projection and 60% by 2050 emission reduction target

In the next ten years it is projected that use of electricity, diesel, liquefied petroleum gas (LPG) and compressed natural gas (particularly in freight) will expand, particularly if there is an abrupt decline in the availability of international oil supplies. Only these among the non-conventional fuels have the capacity to expand their availability into the transport market in a relatively short time frame due to existing production and distribution infrastructure. However, some of these fuels will take considerable time to be fully commercialised. Biofuels will remain supply-constrained. On the demand side, whilst the projection is that internal combustion engines will be in use for some time, in order to reduce carbon emissions road vehicles will transition to the use of hybrid technology including pure electric vehicles as shown in the chart below. Petrol, diesel and biofuels will continue to play a part.

Increasing use of electric and hybrid vehicles



Ref: CSIRO (2008) *Modelling of the future of transport fuels in Australia*, Figure 18. EIA high oil price projection and 60% by 2050 emission reduction target

Longer term, beyond 2020, advanced biofuels that limit competition with food production, hydrogen and synthetic fuels derived from gas and coal (using carbon capture and storage) are also expected to come into use once production infrastructure has had sufficient time to scale up. The extent of their use will depend on primary fuel prices and government emission targets.

Caltex supports the development of a market-driven, sustainable biofuels industry based on consumer confidence, reliable supply and competitive prices. It looks to a commercial “win-win” for producers and marketers in an industry that is economically, environmentally and socially sustainable.

With these caveats in mind, Caltex foresees a biofuels business that continues to expand. While there is no prospect of biofuels replacing all fossil fuels, Caltex believes there is potential for these products to occupy a larger portion of the market than their current small percentage.

Development of biofuels in Australia is already affected by a substantial body of regulation but lacks a strategic framework. The following principles are suggested as important to development of a biofuels strategy.

- Biofuels will play a significant (although not necessarily major) role in supplying energy to a world that is carbon-constrained and facing more limited liquid and costly oil supply.
- Carbon pricing will have little influence over biofuels development compared with oil prices so emission trading is not an effective policy instrument for biofuels development.
- The viability of biofuels must ultimately depend on market forces (and in particular the price of oil) but the long lead times required for biofuels market development including the creation of stakeholder consensus and enabling technology and regulation mean that some initial market intervention is required.

- Bankable projects require long lead times and stable, bipartisan policies at federal and state levels.

The following are proposed as important elements of a biofuels policy framework.

- Implementation of the excise rates proposed in the 2004 energy white paper (5 year phase-in to 50% discount on energy-adjusted excise rates starting July 2011); alternatively, a 5 year phase-in to energy-adjusted excise rates plus grants to achieve the same taxation outcome as the 50% discount. Currently the legislated rate under the *Energy Grants [Cleaner Fuels] Scheme Act 2004* will phase in over five years the full excise for biofuels of 38.1cpl. (see table below biofuels excise rates)
- In relation to the above, avoid effective removal of tax concessions for biodiesel blends above 5% as a result of making a biodiesel blend standard for these blends.
- A level playing field for domestic and imported biofuels from July 2011 consistent with the above policy, so that future development of the Australian industry must be internationally competitive.
- Limited, targeted transitional financial assistance to Australian biofuels producers directed at the development of a long-term sustainable biofuels industry including use of “second generation” feedstocks.
- Financial assistance if required for development of the biofuels supply chain including biofuels distributors, wholesalers, retailers, and for development of end-use technology including vehicles.
- Optimisation of crops and conversion processes for biofuels production in Australia.
- Establishment of comprehensive fuel quality standards for biofuels including cold filter plugging point, filter blocking tendency and any other standards reasonably required by suppliers, customers and equipment manufacturers, and maintenance of Reid Vapour Pressure allowances (at the state level).
- Manufacture of all vehicles and provision of warranties to ensure suitability for at least E10 and B5 blends, with a vision by all manufacturers to transition to higher blends over time.
- Sustainability criteria taking into account life-cycle greenhouse gas emission reductions and direct and indirect ecological impacts, which would be linked to the provision of financial assistance.
- Consumer education and product promotion.

Caltex does not support mandatory targets but voluntary targets (set by industry) or indicative targets (set by government) may be useful policy indicators if linked to a package of supportive policy measures.

Taxation arrangements on fuel products

From a policy principle perspective, Caltex supports a fuel tax system that

- is efficient, equitable and simple
- is practical, workable and minimises compliance and administration costs for business and governments
- supports clarity, consistency and stability in policy settings relevant to the petroleum industry.

The taxation of all fuels should be consistent and neutral so that consumers can make informed decisions about fuel choice. Caltex does not oppose the phase-in of excise for alternative fuels from July 2011, and believes that energy content is the appropriate basis for taxing fuels. Transitional financial assistance may also be required to overcome barriers to development that would address energy security, environmental or industry development objectives.

Although the full excise of 38.143 cents per litre (cpl) currently applies to biofuels, it is effectively offset at the production level through the *Energy Grants (Cleaner Fuels) Scheme Act 2004*. These grants incentivise the development of a biofuels industry by supporting producers, which increases the competitiveness of product pricing and encourages consumer uptake. The *Energy Grants (Cleaner Fuels) Scheme Act 2004* will begin to phase out this support starting from 1 July 2011. After five years, ethanol and biodiesel will no longer receive grants and will face the full excise rate. Caltex believes that phasing out this grant is likely to discourage further investment in the industry and reduce the price competitiveness of biofuels. (see below)

Biofuels excise rates

	Currently legislated rate (Energy Grants [Cleaner Fuels] Scheme Act 2004)	Energy content rate in 2015 (2004 energy white paper proposal)	Discount rate in 2015 (2004 energy white paper proposal)
Biodiesel	Until 30 June 2011 0cpl 1 July 2011 to 30 June 2012 7.6cpl 1 July 2012 to 30 June 2013 15.3cpl	38.1cpl	19.1cpl
Ethanol	1 July 2013 to 30 June 2014 22.9cpl 1 July 2014 to 30 June 2015 30.5cpl From 1 July 2015 38.1cpl		

The biofuels industry requires the continuation of financial assistance from the government, such as transparent subsidies or grants, while working towards viability. This could be achieved through a 50% discount of excise rates, limited (in time and quantum) financial assistance or a combination of both. Additional assistance might also be provided for more advanced biofuels and supply chain infrastructure so that policy is biased towards the development of sustainable, second generation biofuels such as ethanol from cellulose or biodiesel from algae.

Significant investments and business plans have been made on the basis of the current fuel tax policy framework beyond the *Energy Grants (Cleaner Fuels) Scheme Act 2004*. This includes the 2004 White Paper, *Securing Australia's Energy Future*, which proposed an alternative approach to excise treatment for biofuels, applying a discount rate of 19.1cpl to biodiesel and 12.5cpl to ethanol. Caltex supports the adoption of the proposal for an energy content excise rate and the interim application of the further discount rate as a measure of industry support. If the 2004 Energy White Paper is not adopted, any changes should not result in detriment to existing or committed projects (at the date of any policy change.)

In addition, Caltex is concerned that the implementation of a biodiesel blend standard could remove the tax break afforded to B20 blends, with severe adverse consequences for the biodiesel industry. This occurs because B20 is no longer defined as diesel (since 1 March 2009, the biodiesel content of diesel has been limited to 5%) unless granted a variation of the diesel standard by the Minister. Such variations have been granted. However, once a biodiesel blend standard is in place, variations will no longer be granted for B20 and only 80% of the volume (ie the diesel component) will be eligible for a fuel tax credit. This will make B20 uneconomic.

Caltex would welcome the opportunity to discuss any of the matters raised.