



SUBMISSION

Better Fuel for Cleaner Air Regulatory Impact Statement

14 March 2018

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2. About Us

The Motor Trade Association of South Australia's vision is to protect and grow the automotive retail, service and repair sector in South Australia by providing direct support to our members through advocacy and workplace advice and training. We are the only employer organisation representing the sector on behalf of our twelve industry divisions.

MOTOR TRADE ASSOCIATION OF SOUTH AUSTRALIA

1,179
Members



of members
with 20 or less
employees

15,000
Employed by
members

DIVISIONS

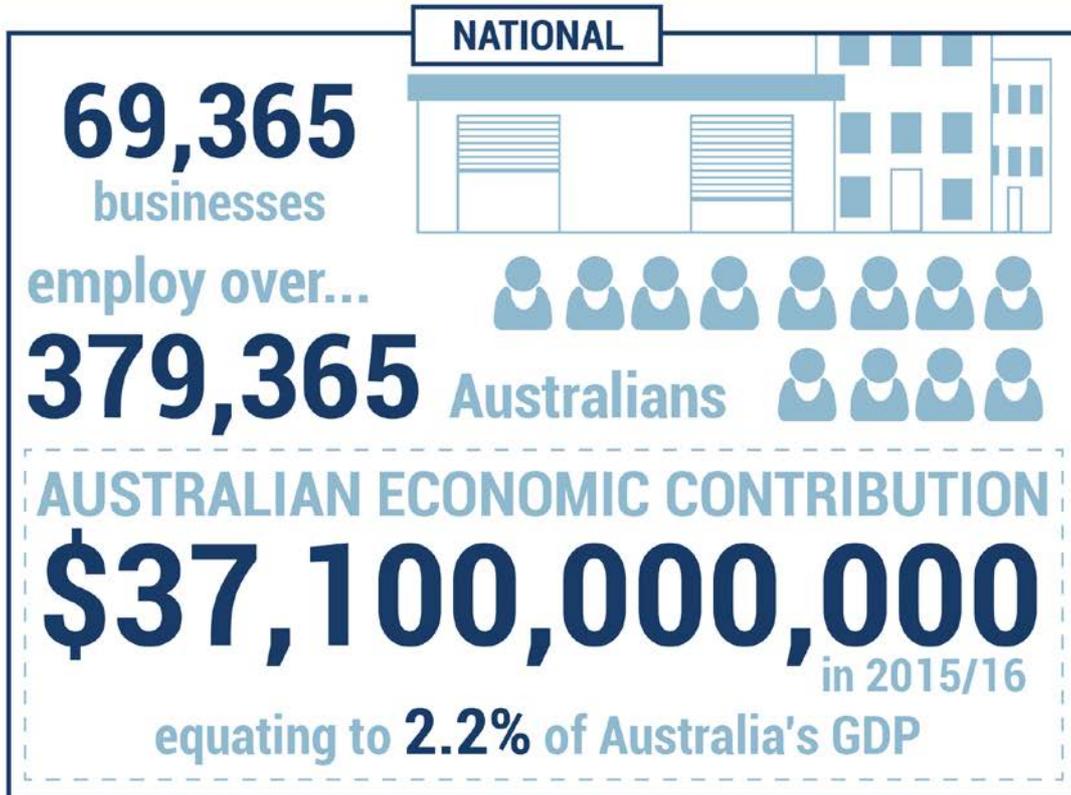
 MOTOR TRADE ASSOCIATION AUSTRALIA AUTOMOBILE DEALERS ASSOCIATION (SA) DIVISION	 MOTOR TRADE ASSOCIATION AUTO REPAIR AND ENGINEERING DIVISION	 MOTOR TRADE ASSOCIATION AUTOMOTIVE DISMANTLERS DIVISION
 MOTOR TRADE ASSOCIATION BODY REPAIR SPECIALISTS DIVISION	 MOTOR TRADE ASSOCIATION COMMERCIAL VEHICLE INDUSTRY ASSOCIATION (SA) DIVISION	 MOTOR TRADE ASSOCIATION FARM AND INDUSTRIAL MACHINERY DEALERS ASSOCIATION (SA) DIVISION
 MOTOR TRADE ASSOCIATION LICENSED VEHICLE DEALERS DIVISION	 MOTOR TRADE ASSOCIATION MOTORCYCLE INDUSTRY ASSOCIATION OF SA DIVISION	 MOTOR TRADE ASSOCIATION VEHICLE RENTAL DIVISION
 MOTOR TRADE ASSOCIATION TYRE DEALERS DIVISION	 MOTOR TRADE ASSOCIATION SERVICE STATION DIVISION	 MOTOR TRADE ASSOCIATION TOWING SERVICES DIVISION

We are also a member of the Motor Trade Association of Australia and work in conjunction with our affiliated associations across the country to advocate on behalf of the industry.



3. Industry Overview

AUTOMOTIVE RETAIL, SERVICE & REPAIR SECTOR OVERVIEW



4. Glossary

Euro 6	Proposed new emissions standards for light and heavy vehicles
FCAI	Federal Chamber of Automotive Industries
MTA	The Motor Trade Association of South Australia
Ppm	Parts Per Million
RON	Research Octane Number

5. Industry Consultation

This submission summarises the views of the MTA's members. In developing this submission, the MTA has consulted with members in the following divisions:



6. Executive Summary

Improving fuel quality standards is broadly accepted in principle as a desirable outcome by the automotive industry.

However, concerns have been raised as to the cost for retailers and consumers of rapid changes to refining infrastructure that may result in significant fuel price increases in comparatively short time periods.

The MTA has a unique perspective on this issue as it represents fuel retailers, high volume fuel consumers and automotive repairers.

In recommending the adoption of Option F, which seeks to limit the changes proposed to a maximum sulfur content of 10 ppm by 2027, the MTA has recognised the need to balance the inevitable regulatory and transitional burdens associated with increasing fuel quality standards, while minimising the downstream costs effects on fuel retailers and fuel consumers in a responsible way.



Upon our investigations and having worked through the available alternatives, we conclude that Option F minimises the regulatory burden and refinery infrastructure costs associated with transitioning to a different fuel quality regime. This should minimise the downstream cost impacts experienced by retailers at a wholesale level and consumers at a retail level.

The extended transition period also provides adequate time to enable consumers to become aware of the changes and for businesses to make the necessary changes to their business, without imposing additional capital costs associated with replacing assets before the end of their useful life.

In addition, the MTA considers that there is a need for greater clarity around the educational materials available that will be made available to retailers and consumers at the point of sale regarding the adopted changes. There is also a need for a concerted effort to harmonise fuel signage requirements to reduce consumer confusion.

7. Key Recommendations

1. The MTA recommends the adoption of Option F, which calls for a maximum sulfur content of 10 ppm in petrol by 2027
2. The MTA recommends the harmonisation of signage requirements at the bowser nationally
3. The MTA recommends further guidance be provided to retailers and consumers at the point of sale regarding changes to fuel quality standards

8. Fuel quality standards (Options)

The regulatory impact statement has provided four options for consideration which are described below:

Option A

Option A represents the business as usual or no-change scenario.

Option B

Fuel standards are revised to align with the recommendations of the Hart Report and to harmonise with European standards, subject to Australia's unique environmental conditions.

The main changes proposed under Option B include changes to each of the fuel standards - petrol, diesel, autogas, ethanol E85 and biodiesel - as well as a new standard for a B20 diesel-biodiesel blend.

For petrol, there is consideration of the possible inclusion of an additional octane limit for 98 RON petrol, as well as the potential use of ethanol to provide greater flexibility to meet a minimum 95 RON / 85 MON specification.

For diesel, there is also consideration of an expanded scope of the standard to include non-road vehicles and to include a definition of renewable and synthetic diesel.

Option C

Option C is the same as Option B except that 91 RON petrol is retained.

Option F

Under Option F, the petrol standard is revised to reduce sulfur to 10 ppm in unleaded petrol by 2027.

The members of the Australian Institute of Petroleum have made an in-principle offer to supply 10 ppm sulfur petrol by July 2027. All other parameters for all fuel types remain in their current form (business as usual), and 91 RON petrol is retained.

The Australian Institute of Petroleum has also offered to implement an interim step for sulfur and aromatics to safeguard current market fuel quality. From 2021, this would be a reported, not regulated, procedure that is proposed to capture information on both domestically produced and imported fuels. It is proposed to be based on the following parameters and limits, reported

annually:

- For 91 RON, the sulfur limit will be 70 ppm pool average (150 ppm cap) and for aromatics the limit will be 35% pool average (45% cap).
- For 95 RON and 98 RON, the sulfur limit will be 35 ppm pool average (50 ppm cap) and the aromatics limit will be 42% pool average (45% cap).

If an interim reporting requirement was to be implemented, it could provide assurance to Australian motorists that current sulfur limits are lower on average than the maximum regulated limits.

9. Preferred fuel quality standard

Following consultation with our members, the MTA has identified a consensus for the adoption of Option F. This option would permit a maximum sulfur content of 10 ppm in petrol by 2027.

While Option F does not comply fully with the Euro 6 Standard, it does address the most contentious element, as identified by FCAI, in the standard by reducing sulfur content to a maximum of 10 ppm. This option will provide consumers with greater vehicle choice and will minimising operation costs.

The MTA also considers that there is a need for clearer guidance from government as to the signage requirements and consumer education material required at retail outlets for consumers to enable informed decisions on fuel purchases and fuel suitability for their vehicles.

We also consider that there is a need for national harmonization of signage and other indicators of different fuel types at the fuel pump. Currently, different state and territory jurisdictions have different colour requirements at the pump to inform customers of fuel type.

We further seek assurances that retail outlets will not be liable for the incorrect use of fuel by consumers due to confusion relating to changing fuel quality standards.

Rationale

Members identified that improving fuel quality was a desirable outcome for businesses and consumers, thus eliminating Option A.

However, concerns were raised that the cost of implementing Options B and C, estimated to be between \$500 million to \$969 million would be passed on to fuel retailers and then onto consumers.¹

Service stations found the prospect of defending material wholesale fuel price increases, particularly if there were to be a short implementation period, to be undesirable and would place significant additional customer management costs on their businesses.

Likewise, vehicle operators identified that while some marginal benefit may be realised through greater fuel efficiency and lower long term maintenance

¹ Better fuel for cleaner air, Draft regulation impact statement, Department of the Environment and Energy, January 2018.

costs, these benefits had not been sufficiently costed nor confirmed to warrant the risk to their immediate cash flows in their business at this point in time.

Option F provides for comparable benefits to Options B and C in terms of health outcomes, greenhouse gas emissions and vehicle operability while incurring only 43 per cent of the regulatory burden. This would result in an increase at the bowser of between 1 and 2 cents per litre over time.²

This option would also increase harmonisation with Australia's major trading partners, including the European Union, China and the United States of America, which utilise the 10 ppm measurement in their fuel quality standards.

² Better fuel for cleaner air, Draft regulation impact statement, Department of the Environment and Energy, January 2018.

10. Next Steps

The MTA is available to provide further information in relation to this submission and to clarify any aspect of it.

This includes meeting with agency representatives and facilitating further consultations with industry on proposed changes.

11. Submission Contact

For further information relating to this submission please contact:

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