

AUSTRALIAN REFINERIES SUPPORT BETTER FUELS

Australian refineries have long supported orderly transitions to better fuel standards where a community benefit has been demonstrated in terms of health and environmental outcomes, and where the cost impacts on refineries and consumers can be effectively managed.

AIP member companies supported and implemented the cleaner fuel standard changes for 50ppm sulfur diesel, 50ppm sulfur premium unleaded petrol (PULP) and 10ppm sulfur diesel.

AIP has been unable to support the introduction of 10ppm sulfur petrol because current evidence shows limited environmental benefits, a lack of operability benefits for Australian vehicles and significant cost impacts on Australian refineries, motorists and communities.

Petrol currently supplied to the market already has sulfur levels well below the mandated fuel quality standards, at no cost to the community or motorists because it has been delivered on market terms rather than through regulation.

If the Government wishes to adopt this new petrol standard, a longer implementation timeframe is critical to manage very significant costs for our refineries and the petrol price impact for motorists.



Costs to the Australian refining industry

Capital construction costs **\$979 million**

Increased operating costs of
\$128 - \$192 million p.a.

Increased refinery emissions
160,000 - 320,000 tonnes p.a.



Costs to Australian motorists

Price premium of up to
2 cents per litre

No offsetting fuel economy gains for existing vehicles



Costs to the Australian community (in the event of refinery closure):

Loss of economic activity of
\$1 billion p.a. on average per refinery

Major community, localised and regional impacts e.g. Geelong

AIP member companies are willing to support the introduction of 10ppm sulfur across all petrol grades by 1 July 2027.

This AIP 'No Losers' proposal also includes continuation of the ULP grade so important to many motorists and no changes to other fuel parameters (e.g. MTBE or other oxygenates, aromatics). Environmental benefits also need to be demonstrated for existing vehicles in Australia as it may not be necessary or desirable to implement 10ppm sulfur in ULP.

Importantly, this timetable will provide:

- refineries with scope for the most cost effective solution and to optimise timing of investment
- necessary time to minimise market and consumer impacts
- certainty and a suitable transition for all industry
- a pathway for Government to resolve this issue and for a positive policy outcome.

However, this timeframe still carries risk of refinery closures, which would forgo the very significant economic and community benefits that refineries provide – see over.

The Government could consider measures to support a smooth transition and reduce risks through:

- An 'interim step' to safeguard the higher current quality of petrol in the Australian market compared to the existing standard and capture minor environmental benefits before 2027
- An 'incentive' for introduction of the new specification - similar to the incentives for 50ppm sulfur diesel, 50ppm sulfur premium unleaded petrol and 10ppm sulfur diesel - which previously facilitated a smooth transition for industry and the community.



QUICK FACTS: AUSTRALIAN REFINERIES



TOTAL TRANSPORT
FUEL PRODUCED
BY AUSTRALIA'S
FOUR REFINERIES

50%



TOTAL PETROL
PRODUCED BY
AUSTRALIA'S FOUR
REFINERIES

65%

**27 BILLION
LITRES**

TOTAL CRUDE
OIL REFINED
LAST YEAR



AIP MEMBER COMPANY
DIRECT EMPLOYEES:
AT REFINERIES

2,000



ACROSS AUSTRALIA
10,000+

TYPICALLY, AS MANY CONTRACTORS
ARE EMPLOYED AS DIRECT (PERMANENT)
EMPLOYEES
TWICE THE NUMBER OF
CONTRACTORS DURING MAJOR
REFINERY MAINTENANCE



X2



TOTAL INVESTMENT IN
AUSTRALIAN REFINERIES
OVER THE LAST FIVE YEARS

**\$2.0
BILLION**



DIRECT WAGES AND
SALARIES PAID EACH YEAR
TO REFINERY EMPLOYEES
(EXCLUDING CONTRACTORS)

**\$300+
MILLION**



AVERAGE INDUSTRY
ANNUAL PROFIT FOR
ALL FUEL SOLD

**2 CENTS
PER
LITRE**



AVERAGE ANNUAL FUEL TAX
(EXCISE) COLLECTED AND
PAID TO GOVERNMENT

**\$15
BILLION**



AVERAGE ANNUAL
CONTRIBUTION TO THE LOCAL
ECONOMY BY A REFINERY

\$1 BILLION



HUNDREDS

OF COMMUNITY GROUPS,
PROGRAMS, SCHOOLS AND
LOCAL ENVIRONMENT INITIATIVES
SUPPORTED EACH YEAR BY
REFINERIES



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<http://www.aip.com.au/pdf/submissions/AIP%20Submission%20-%20Better%20Fuel.pdf>