
FACTS ABOUT THE AUSTRALIAN TRANSPORT FUELS MARKET

AIP member companies provide very reliable supplies of fuel to the Australian market and

- represent around 90% of primary fuel supply to the Australian market
- have decades of operational experience in Australia and Asia delivering high quality fuel to customers
- have major investment in infrastructure/storage around Australia and throughout the supply chain
- have invested over \$10 billion in the last decade in their refineries and supply chain infrastructure.

KEY FACTS

- **Australia does not have a transport fuel reliability or security problem.**
 - Australia's transport fuels and crude oil are sourced from a wide diversity of sources.
 - There are highly flexible supply chains into/within Australia and varied/flexible shipping routes.
 - The industry has robust commercial stockholdings at least cost to motorists and major users while maintaining high supply reliability.
 - Commercial storage capacity in the Australian supply chain has increased in recent years and no long-term/widespread shortage of transport fuel supplies has occurred.
 - Australia's compliance position with the IEA stock obligation largely reflects declining crude oil and condensate production and is not a fuel security threat.
- **Australian refinery closures have not affected supply reliability and security for transport fuels.**
 - Refineries mainly use imported oil so "products on water have replaced crude on water".
 - All AIP member companies continue to invest in supply infrastructure to support current and future demand for transport fuels.
- **Integration into the Asian market is the key to Australia's supply security, not mandatory oil stocks.**
 - According to the IEA, "Asia has become the unrivalled centre of the global oil trade" as the region draws in a rising share of the available crude from around the world.
 - Asia is the lowest cost source of alternative supply and has excess supply capacity.
 - Integration into this key market is in national/consumer interests, fuels self-sufficiency is not.
 - Large fuel volumes available in ships each month (including for diversion to where needed most around Australia) is more fundamental to our supply chain operation than mandatory stocks.
 - Mandatory oil stockholding would impose a very significant cost on Australians - regardless of whether the \$6.8 billion price tag published by the Government is paid for by them or consumers.
- **Australia's emergency response arrangements for transport fuel supply are robust.**
 - The Government has flexible powers to respond to a major national or global emergency.
- **Alternative fuels can play a role in a diversified transport fuels mix, but the competitive market should determine that role. The market will transition to other fuel types when they are economic.**
- **Energy and economic security issues are distinct from national security issues.**
 - National security issues and scenarios should be considered as part of Defence planning and reviews and energy security assessed through the Energy White Paper process.

FACTS ABOUT THE AUSTRALIAN TRANSPORT FUELS MARKET

Supply Security for Transport Fuels

Self-sufficiency in transport fuels is not necessary for supply security

- Security of supply is the result of resilient and efficient supply chains and robust risk management – it is not about self-sufficiency or independence from markets.
- There are 3 critical elements of any strategy to deliver security of supply:
 - (1) Diversity of supply options
 - (2) Flexible and resilient supply chains
 - (3) Efficient supply and emergency management strategies.
- Australia fully meets these conditions as confirmed by numerous government and independent reviews over many years.
- There have been no long-term / widespread shortages of transport fuel supplies for decades.
- Australia has never had major difficulties sourcing crude and fuels to meet our transport requirements, even during rapidly rising prices; suitable crudes and fuels are readily available in Asia and globally.
- Australia has a very active oil market that is closely linked to a very responsive global market.
- Australia does not produce enough compatible crude oil to run existing domestic refineries.
- Thus, even if Australia had more refineries, crude oil imports would still be needed for our refineries so 'self-sufficiency' in mainstream transport fuels is simply unattainable.

Australia's current fuel security policy protects our economy, social and community wellbeing

- This conclusion is supported by extensive government, independent and parliamentary reviews of the Australian transport fuels supply chain and supply reliability.
- These reviews have concluded that Australia's market based approach and policy has delivered a HIGH level of transport fuels security, and secure and reliable performance is expected to continue into the future. These reviews have also confirmed robust and flexible emergency response arrangements and the efficient transition of a changing industry.
- The core business of Australian fuel suppliers is supplying fuel to the market where and when it is needed, so they have direct business incentives to ensure security and reliability of supply.
- A market based approach also provides a flexible and robust framework that is capable of adjustment in response to changes in technologies and developments in global and domestic markets.
- Under a market based approach, competing suppliers aim to reduce to an acceptable level the risks and consequences of supply disruptions - including over the longer term.
 - This involves balancing supply reliability, with cost to consumers and bulk fuel users.
- In a well-functioning market all major fuel users (eg. mining, farming, Defence etc) need to make informed decisions about the fuels required to meet their operational requirements and how they will manage the risks of a disruption so that commercial and community interests are maintained.
 - For some major fuel users, the industry can and does manage this risk.

The NRMA assertion that “Australia’s supply of transport energy is: not secure; becoming less affordable; enjoys almost no diversity; is not sustainable in the longer-term” is not supported by the facts

- This NRMA assertion is not supported by the evidence:
 - There has been no long-term or widespread disruption to Australian fuels supply for decades
 - Global oil prices are at their lowest level since 2009.
 - Australian transport fuel prices are low by international standards (reflecting low taxation).
 - Fuel is a regular purchase for motorists, but it is now a smaller share of household spending as the fuel economy of all Australian cars has improved since 1990 and will continue to do so.
 - Australia sources crude oil and feedstock from over 17 countries:
Asia-Pacific 58%, Africa 21%, and Middle East (only UAE) 13%.
 - Australia sources finished petroleum products from over 20 countries (85% from across Asia).
 - Within Australia, there are a variety of fuels types available and a wide range of fuel suppliers.
 - There are expanding sources of crude oil and finished products for Australia’s needs.
 - Major investment in new or expanded terminal/storage facilities has occurred in recent years.
- This NRMA assertion is also not supported by extensive government, independent and parliamentary reviews of the Australian transport fuels supply chain and supply reliability and security.

National Security issues should be examined in the context of Australia’s defence requirements and plans

- Energy security assessments should be focused on ‘supply security’ and ‘energy policy’ and how the economy is served by current and future market operation and settings, and how the market operates during periods of market ‘disruption’ that are more likely to be encountered.
- Thus, energy security assessments should not consider ‘national security’ settings and scenarios in which crude oil or product supply is disrupted for an extended period by widespread military conflict.
- ‘National security’ scenarios should be considered as part of Defence planning and reviews, for example in the upcoming *Defence White Paper*.
- AIP notes that the oil market has continued to operate during all military conflicts and no shortages were experienced in Australia. Australia, like all other countries, was impacted by increases in global oil prices during major military conflicts, with associated economic costs, but there was continued access to physical supply in the global market.

Australian and global fuel supplies have been resilient to disruptions including major military conflicts

- The Australian Government, as well as collaborative international energy bodies/forums, routinely examine and test a very wide range of events or scenarios that would place the global or domestic oil market under intense pressure, including significant disruptions to supply.
- In some very extreme, low probability scenarios, the market may not operate as normal or in the most efficient way, and global trade flows may be affected. However, even in such events which have occurred (eg. US Hurricanes, GFC, Iraq War, Kuwait invasion, Libya crisis etc) the market has continued to operate with limited very localised impacts (ie. an impact on market price, rather than availability).
- Given the importance of the global oil market to countries’ economic performance and activity, most major disruption scenarios are routinely considered along with the best way to manage such events.
- There is an important role for Government in consultation with the Australian petroleum industry to ensure effective emergency response plans are in place (ie. through the liquid fuel emergency legislation and NOSEC), as well as a role for major fuel users in the widespread adoption of robust supply management and business continuity planning (as outlined in AIP’s Submission to the Inquiry).

Australian Crude Production & Refining

Australian refineries continue to operate with no indications of any plans to close the remaining four

- There have been statements and Inquiry submissions from all refining companies about their future refinery investment plans and the ongoing role of these facilities in meeting customer requirements and providing broader economic benefits.
- It is true that Asian refineries do enjoy significant advantages over Australian refineries in terms of cost, scale and technology and also government assistance.
- However, the Australian downstream petroleum industry has responded to this challenge through stringent cost controls, enhanced efficiency (including through investments in new supply chain infrastructure) and major structural adjustments in refining and marketing operations.
- Decisions to close Australian refineries reflect business assessments of commercial viability of individual refineries based on the competitive pressures faced by each facility.

Refinery closures have not weakened Australia's supply security

- Reductions in Australian crude oil production and refining capacity mean that more of our transport fuel demand growth will be met by imports largely from the Asian region (where excess supply capacity exists and is forecast to continue).
- As Australian refineries operate largely on imported crudes, any Australian refinery closure will mean a substitution of crude oil imports with imports of finished petroleum product.
- There is no significant difference in the supply risk between a crude and petroleum product shipment.
- Domestic refinery capacity adds to supply diversity in Australia and can provide additional flexibility to cope with the short term product supply interruptions or imbalances which can occur.
- Refinery closures in Sydney and Adelaide have seen no adverse impact on those fuels markets – either in terms of supply reliability or price to consumers (given 'Import Parity Pricing' in Australia).
- Industry has also found that the regular flow of finished transport fuels to Australia is highly valuable for supply continuity purposes, as fuel on ships can be diverted around the country and within States to where it is needed most; Australia having very regular and structured import arrangements is delivering highly reliable fuel supply to the domestic market.

Australian crude oil and condensate is insufficient/incompatible for our needs and is largely exported

- Domestic crude production has been in decline for some time and Australia does not produce enough compatible crude oil to run existing domestic refineries.
- Most crude oil production is located long distances from Australian refineries and has better transport proximity to key Asian markets.
- Bass Strait crude oil is refined in Victorian refineries given transport proximity and economics (delivered via pipeline) and some local condensates are trucked to refineries.
- Much of Australia's crude oil production is also of a quality (light sweet) which is very commercially attractive for processing in other countries. Australian refineries require a blend of crude oils to produce the product slate demanded by Australian fuel users.
- In general, it is more commercially attractive to use a majority of imported crude oils in Australian refineries to meet the balance of transport fuels needed by Australian fuel users, and this imported crude diet better matches Australian refinery processing capabilities.
- Transport fuel security depends on flexible supply chains and diversity of product supply, not domestic refining of domestic crude oil.

Australia does not need to subsidise local refineries or a new nationally owned refinery

- If Australia had more refineries than currently to meet domestic fuel demand, this would simply result in more crude imports as domestic crude production is insufficient and unsuitable by itself to achieve 'self-sufficiency' in transport fuels. Substituting crude oil imports for petroleum product imports would not increase transport fuel security.
- No new refinery has been constructed in a industrialised/Western nation for over twenty years.
- Australia offers none of the capital or operating cost benefits available in many developing countries.
- Compared to refineries across Asia, Australian refineries suffer from substantial disadvantages in operating and capital costs that preclude Australia from consideration for major new refinery projects.
- In the context of Australia's demonstrated efficient and reliable access to large scale refineries in Asia (and excess Asian supply currently and forecast), it is difficult to see any case for the very significant cost of a taxpayer funded refinery (eg. at least US\$5 billion for a minimum efficient scale refinery).
- Even with the construction of such a domestic refinery, bulk fuel products produced by the refinery would still need to be shipped around Australia to major demand centres and in the event of refinery disruption (planned or unplanned) there would still be a need to import refined products.
- High coastal shipping costs would make domestic distribution from a "central" refinery uncompetitive against imported cargoes of fuel.

Imports of Transport Fuels

Transport fuel imports do not increase risk for supply reliability and security

- A diversity of global supply sources and local import facilities provide a range of options for Australia.
- Australia is already dependent on imports to meet the growth in demand for transport fuels (eg. demand for diesel and jet fuel exceeds total local refinery production) and Australia is a price taker on world markets.
- Thus, fuel users in Australia are already exposed to a level of 'international disruption risk' (like most other countries) given our reliance of fuel imports to meet demand.
- Any risk to supply would exist for both crude oil and petroleum product imports – but increased shipments to Australia have increased supply flexibility and hence reliability.

Australia does not import all fuel from Singapore and reliance on Singapore is actually decreasing

- According to BREE, 43% of Australia's imports of transport fuels was from Singapore in 2013–14.
- According to the ACCC, imports of petrol were 20% of sales in 2013-14 and "*Singapore has become a somewhat less important source of (petrol) imports*" (ie. decline from 86% to 62%).
- The source of Australia's petroleum product imports has been dominated by Singapore (the Asia-Pacific trading centre), but this is changing as more product comes from North Asia (South Korea and Japan).
 - Not all fuel from Singapore has been produced in Singapore refineries; a significant proportion has been produced from refineries across the broader Asian regional and stored in Singapore for ready export to the market.
- Australia has flexible supply chains and the industry will purchase fuel supply imports from the cheapest sources.

Not all fuel from Singapore is manufactured/refined in Singapore

- Petroleum products sourced from Singapore does not mean they were refined in Singapore from Middle Eastern Crude, since Singapore is a regional trade centre and a significant storage base for product produced across the Asian region.
- Fuel from Singapore refineries comprises around half of Singapore fuel exports with the remainder coming from other bulk storage and blending facilities there.
- Many Asian refineries source crude from their own fields and/or from their close neighbours.
- For example, Australia directly imports significant product (particularly diesel) from South Korea and Japan and both countries have diesel stored in Singapore for market trading opportunities.
- According to BREE, in 2013-14 Australia's largest export markets for crude oil and refinery feedstock are Singapore, Thailand and Korea – accounting for 39% of Australia's total exports.

A small proportion of imported crude for Australian refineries comes from the Middle East

- According to BREE, in 2013-14:
 - Malaysia is the largest source for Australian crude oil and refinery feedstock imports, alone accounting for 23.7% of total crude imports in 2013–14
 - Asia-Pacific (including NZ and PNG) accounts for 58% of crude and refinery feedstock imports and Africa accounts for 21%.
 - Total imports of crude oil from the Middle East was 13%, with all imports sourced from UAE.
- While political instability in the Middle East has been a factor behind concerns about transport fuel security, past disruptions in this region (including during wars) had a relatively small impact on global oil flows and trade, as other countries saw an obvious commercial opportunity to supply.
- Australia had no issues sourcing crude oil during previous conflicts in the Middle East, and crude oil trade continued from this region during those times.
- Currently, the global oil market has an oversupply of crude oil and more supply would likely become available if global crude oil prices increased.

Security of Shipping Lanes

Relying on shipping (for imports) does not increase security risks, and shipping lanes are not easily disrupted

- Most countries are reliant on movements of petroleum (crude and product) within and between countries, and particularly so for Australia (in both an export and import sense).
- Security of shipping cargoes is a key focus of the global supply chain and regional supply.
 - This includes for substantial exports of Australian commodities to Asia (coal, LNG, iron ore etc).
- The market would adjust to any threats or impacts to major shipping lanes (eg. wars, piracy etc).
 - Ship owners will deploy vessels to areas that the market will look to for alternative supply
 - Ship owners might continue to operate near hostilities (eg. vessels operating in risky areas have the option of recovering war risk insurance premiums from the Charterer)
 - Alternatives to major routes may be considered/taken, simply meaning increased voyage time.
- Independent assessments have concluded that shipping lanes to Australia are flexible and generally secure, including underpinned by military presence in the region.
- For Australia, there are options on many of the shipping routes into the country should there be issues on a particular route. For example, while the Malacca Strait (in the Indonesian archipelago) handles a significant proportion of shipments to Australia, efficient and established alternative routes are available if Malacca is threatened, including the Sunda and Lombok Straits. Such alternative routes (or any others) would simply be at a slightly higher cost due to the additional sailing time required.
- Given the diversity and flexibility of Australia's crude oil and products supply routes, and the thousands of ship movements each year through major shipping routes, the industry does not see that a terrorist attack on shipping routes would have any material impact on Australian fuel supply.

Liquid Fuels Stockholdings in Australia & the IEA Obligation

Australia's import, terminal and storage capacity for transport fuel has increased over time to meet growth in fuel demand

- There has been significant investment in new and expanded storage and terminal facilities over recent years to meet demand growth in key regional centres, as evidenced in government and ACCC audits of import/terminal facilities.
 - For example, the ACCC conducts annual monitoring of the petroleum industry and has reported increased storage/terminal capacity in Australia each year.
- There has also been a significant increase in stock on the water held by Australian companies as a critical part of their supply chain operations (see below).
- Commercial storage capacity in the domestic supply chain (e.g. for petrol, diesel, jet fuel) has actually increased in response to demand growth and increasing product imports following refinery closures.

The decline in Australia's 90 Day IEA stockholding position largely reflects declining crude oil and condensate production

- A decline in domestic crude oil and condensate production and increased demand largely accounts for the decline in Australia's IEA compliance position.
 - For example, according to BREE, in 2013–14 exports of crude oil and feedstock totalled 14.8 gigitalitres, down 6% from the previous year and the decline reflects lower output from mature fields located off the NW Coast of Australia which supply the majority of Australia's exports.
- However, the decline in the compliance position is also due to the fact that the IEA does not allow 'stock on water' to be counted towards our stockholding obligation. This is despite this growing form of stockholdings being integral to supply operations in Australia and in the Asian Region, representing more than a quarter of total stockholdings directly owned/controlled by Australian companies.
 - There has been a growing volume and frequency of petroleum products imported and Australia now has a significant proportion of petroleum stock on the water from various sources.
 - About 2–3 weeks of Australian supply is typically on the water at any time, with a large proportion in Australian waters.
 - This stock is securely intended only for the Australian market and a redirection to another overseas port once a ship with an Australian cargo leaves an Asian port is very rare.
 - Such changes are constrained by expensive increases in freight rates for ship redirections to another country, different product specifications across the region, limited opportunities for short term or spot market trading in the regional market, and commercial contract restrictions.
 - The significant volume and wide distribution of cargoes of crude oil and petroleum products on the water serves as floating storage which provides a diverse and highly flexible supply source.
 - This efficient and cost effective logistical and storage solution is now fundamental to managing ongoing reliable supply of liquid fuels to Australian markets and customers.
 - The highest level of fuel supply flexibility and reliability is achieved when stock on water can be readily diverted between Australian locations on an as needs basis.
- Consequently, the decline in Australia's 90 day stockholding compliance position raises no heightened supply risk for the domestic fuels market or for fuel users.

The IEA does not require its member countries to hold 90 days stock cover for EACH fuel

- IEA member countries are required to hold stocks (crude oil and petroleum products) equivalent to at least 90 days in total of net imports and, in the event of a global oil supply disruption, to release stocks to the market or reduce demand.
- The IEA's 90 day stockholding obligation is calculated using a complex methodology developed in 1974 prior to the significant globalisation of the oil market and trade activity.
- As a result, this IEA methodology is not reflective of the way the Asia–Pacific market works.
- For example, the IEA rules and methodology:
 - does not allow 'stock on water' to be counted towards a stockholding obligation (see above)
 - does not allow for IEA country stocks to be held in Singapore (the regional trading centre);
 - includes petroleum products which are not relevant to the Australian market and managing supply issues (eg. naphtha, fuel oil).

Emergency stockholdings held for IEA purposes are not solely for Australian use in the event of a global disruption

- Stocks held for IEA compliance reasons are not explicitly for Australia to use.
- The significant cost (\$6.8 billion) of an Australian stockholding to comply with the IEA rules would simply add to global stockholdings for the global market and other countries to draw from in the event of a global emergency.
- Emergency stocks held for IEA compliance reasons, by definition/rule, are unlikely to contribute to Australia's fuel needs in a global or local emergency situation.
- This is because the IEA stipulates that emergency stocks must be held in locations with ready access and release to the global market (not the more remote segments of the global market like Australia) to help balance 'global supply'.
- Thus, the focus and mandate of the IEA is balancing 'global supply', not specific supply imbalances or disruptions within individual countries.
- In addition, a crude oil stock release from within Australia to the international market would make an insignificant contribution to IEA collective action.

IEA emergency fuel stockholdings are not required energy security

- Since joining the IEA, Australia has relied on commercial industry stocks coupled with significant domestic production of crude oil to meet its stockholding obligations, and on market based mechanisms and demand restraint to respond to emergencies.
- In depth Government security reviews have confirmed that Australia's current approach to stockholdings remains appropriate, efficient and cost effective in the context of Australia's:
 - open market operation and market realities applying to Australia and our region
 - high level of liquid fuels security and reliability
 - proven commercial stockholdings and management
 - market and commercial approaches which have delivered supply reliability at a competitive cost to consumers and end-users, with no widespread customer shortages being experienced
 - robust emergency response framework at government and industry levels to handle extreme circumstances.
- Given these market facts and realities, any level of emergency stockholdings for Australia over and above normal commercial requirements cannot be justified on energy security grounds.
- A requirement for industry to hold additional stockholdings to meet Australia's international compliance obligations would impose further (unjustified) cost on industry and lead to higher fuel prices for consumers and major fuel using industries.
- The decision of individual countries to hold emergency stockpiles reflects a range of market, supply chain and other considerations relevant to each country. Many such decisions were taken by nations decades ago when global and regional oil markets operated very differently. As a result, many European nations have publicly owned stockpiles of crude/product which have declined in value and may not assist the operation of their national fuels market in an emergency situation.

The Role of Alternative Fuels

Subsidising domestic alternative fuel production is not necessary for energy security

- The reliable supply of conventional transport fuels (petrol, diesel and jet fuel) to the Australian market is underpinned by a diversity of supply options for petroleum products from domestic refiners and imports, and ready access to the global market for petroleum products in the event that domestic production is either disrupted or insufficient to meet Australian demand.
- Alternative fuels have a place in a diversified Australian liquid fuels market as long as they are available at a competitive price, reliably supplied, acceptable to consumers, and produced sustainably.
- These performance benchmarks apply equally to all fuels in the transport fuels mix (including conventional, gaseous and alternative fuels) if supply reliability and security is to be achieved.
- Biofuels and gaseous fuels have achieved market penetration in the past based on significant financial incentives provided by governments over many years and mandated market shares or volumes.
 - Despite this substantial government assistance, biofuels have not developed a sustainable position in the Australian transport fuels market.
- Alternative fuel supply reliability and security should be judged on the same basis as other liquid fuels – supply diversity, reliable supply and access to markets – which are not present currently.
- The market will transition to other fuel types if and when they are economic.

A national ethanol mandate would not be good policy for transport fuel reliability and security

- Currently there is no commercial access to imported ethanol (which pays the full excise rate) and this, together with weak consumer demand, is hampering the development of a reliable, competitive and sustainable domestic biofuels market.
- For example, in 2011, Australian fuel suppliers encountered significant problems in sourcing reliable and quality supplies of ethanol from limited domestic producers.
 - This was due to floods affecting ethanol feedstocks, plant reliability issues, and also due to the closure of ethanol plants for financial reasons (despite the 'excise-free' regime applying then).
 - Access to commercially viable imported ethanol during these times would have filled the void left by domestic producers. Instead, some suppliers were forced to withdraw this fuel from their product offerings to consumers due to unavailability and non-viability of ethanol imports.
 - The lack of reliable domestic supply of ethanol and the inability to import economically viable supplies causes production/manufacturing disruptions and places additional costs on biofuel blend suppliers to implement supply chain management changes. These additional costs and supply disruptions reduce the cost advantages for biofuels, and their acceptability to consumers, adversely affecting the achievement of a long term sustainable biofuels market.
- Biofuels supply reliability and security should be judged on the same basis as other liquid fuels – supply diversity, reliable supply and access to markets – which are not present currently.

Domestic biofuels production will not reduce Australia's exposure to oil price shocks and lead to lower prices for motorists with current technology and costs

- Biofuels (ethanol and biodiesel) are globally traded commodities.
- Biofuel feedstock costs can be heavily influenced by crude oil prices or linked to refined product prices.
- There are direct links in some instances between crude prices and biofuel prices (eg. ethanol contracts (for E10 blends) are formula linked to crude prices and E10 retail prices closely follow ULP prices).
- The ability of biofuels to ameliorate price increases in the future is also limited when considering the additional supply chain costs for fuel suppliers associated with these fuels.
 - There are major costs to the petroleum industry in safely and reliably blending and distributing ethanol blend fuels and in appropriate handling and storage facilities. Special attention/testing is also required through the supply chain to ensure the quality of ethanol blends is maintained.
 - It is reasonable for fuel suppliers and retailers to expect to recover these additional costs.
- Thus, any large scale substitution towards biofuels from conventional petroleum based fuels would bring fairly limited (if any) price or volatility relief for transport fuel users.
 - This is demonstrated by the close correlation between E10 and ULP prices and the small difference in retail prices between them, largely explained by a lower ethanol excise rate and the lower energy content (fuel economy) of E10.

Australia's Emergency Response Plans

Australia has robust emergency response plans and arrangements

- Industry and governments fully recognise the potential impacts of a severe national shortage of fuel supplies to business and consumers.
- Australia has robust response plans for managing a national liquid fuel emergency, which reflect Australian market characteristics, utilise proven market and commercial response mechanisms, and adopt international approaches that will be effective in our operating environment.
- While every effort is made by industry to ensure continuing reliable supply, the National Oil Supplies Emergency Committee (NOSEC) and the International Energy Agency (IEA) have established management plans that would help ensure a coordinated response to any supply emergency at a national (NOSEC) or international (IEA) level.
- NOSEC and the National Plan (NLFERP) are also well supported by flexible and wide ranging ministerial powers under the *Liquid Fuel Emergency Act 1984* to authorise the Australian Government to prepare for, and manage, a national emergency.
- Extensive reviews in recent years have concluded that Australia's emergency response framework for liquid fuels is robust and proven, and there are no obvious gaps currently. The framework should be periodically reviewed to ensure its ongoing alignment with market-based principles and operation.
- According to the IEA, Australia is well served by an industry which operates a resilient and diversified supply chain, supported by a regime of policy and regulatory emergency measures, regular in-depth vulnerability assessments, and international advocacy of open global markets.
- A National Liquid Fuels Emergency has never been declared by an Australian Government.

Fuels Users: Major and Essential Fuel Users and Motorists

All fuel users need to analyse and understand their own fuel use and to consider how best to manage the potential impacts of reduced fuel supply

- Many larger fuel users only hold limited stocks on the expectation that stocks will be held by fuel suppliers, or indeed governments will intervene to protect their interests if supplies are limited.
 - This expectation creates a vulnerability in the transport fuels supply chain.
- Fuel suppliers do not hold buffer stocks to guarantee the ongoing normal business operations of all major fuel users and distributors during a major fuel supply disruption.
- Major fuel users are best placed to make decisions about:
 - their need for liquid fuels, and the way they use those fuels, based on information about the price and availability of fuels meeting their operational requirements; and
 - how they will manage the risks of a disruption so that their commercial and community interests are maintained.
- Therefore, it is in the interests of all fuel users to analyse and understand their own fuel use and to consider how best to manage the potential impacts of reduced fuel supply.
- Following this analysis, a robust business continuity plan should be established with effective response options to deal with the specific (and varying) circumstances of any fuel supply disruption.
- Actions should also be taken by major fuel users to address any unacceptable business risks arising from a fuel supply shortage, including investing in their own extra stockholdings and storage capacity, improving fuel supply management (either on their own or through their major fuel supplier), and changing business operations to avoid or minimise the impact of possible fuel supply disruptions.

During a national fuel emergency, fuel users may only be able to buy a proportion of the fuel they need at any time

- All parties will need to prioritise and conserve fuel use during a national or even State based emergency until normal fuel supply is restored.
- All Australian governments have agreed that emergency services should have 'priority access' to fuel in a national emergency.
- These fuel users are defined as 'Essential Users' in the LFE Act and in the *Liquid Fuel Emergency (Essential Users) Determination 2008* and include Defence, ambulance, corrective, fire, emergency and police services, as well as public transport and taxis.
 - These fuel users contribute to the provision of goods or services which, if reduced in supply or availability, would be likely to seriously damage the health, safety or welfare of the community.
 - During a national emergency, essential users may be entitled to fuel above and beyond that which is available to other fuel users.
- It is highly unlikely that fuel supply would ever be restricted to essential users only.
- All other fuel users will continue to receive a proportion of their normal fuel supply (under a bulk allocation or retail rationing scheme directed by government) depending on the available fuel supply.
 - All businesses and consumers will receive an equitable share of the available fuel supply.
 - This framework ensures that during a national liquid fuel emergency, available fuel supply is managed and allocated in the most efficient and fair way, to help minimise the economic impacts of the shortage on fuel users and customers.

Essential users of fuel would have priority supply in a fuels emergency

- Essential users are defined in legislation and are those who contribute to the provision of goods or services which, if reduced in supply or availability, would be likely to seriously damage the health, safety or welfare of the community (see above).
- During a national fuel emergency, essential users may be entitled to fuel above and beyond that which is available to other fuel users.
- The Federal Industry Minister may determine an activity to be an essential activity at any time, but the Minister must be satisfied that it is essential to the health, safety or welfare of the community in the context of the national emergency at the time.

References & Further Information

The following independent and government reports are key cited references and provide additional background information and data in support of the key facts and conclusions contained in this Factsheet.

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