

**AXIOM ENERGY LIMITED**

**SUBMISSION TO THE ENVIRONMENT AND  
NATURAL RESOURCES COMMITTEE INQUIRY  
INTO THE PRODUCTION AND USE OF BIOFUELS IN  
VICTORIA**

**BIODIESEL GROWTH IN VICTORIA**

**8 SEPTEMBER 2006**

## Table of Contents

<b>1</b>	<b>EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>2</b>	<b>AXIOM ENERGY .....</b>	<b>5</b>
<b>3</b>	<b>OVERVIEW .....</b>	<b>6</b>
3.1	Definitions of Biofuels in Australia .....	6
3.1.1	Biodiesel.....	6
3.1.2	Ethanol .....	6
3.2	Biodiesel as a Transport Fuel.....	7
3.2.1	Pure Biodiesel (B100).....	7
3.2.2	Biodiesel blends .....	7
3.3	Manufacture of Biodiesel .....	8
3.4	Availability of Biodiesel .....	9
<b>4</b>	<b>IMPACT OF MANUFACTURE AND USAGE .....</b>	<b>11</b>
4.1	Environmental Benefits.....	11
4.2	Economic Benefits.....	12
4.3	Oil Imports .....	12
<b>5</b>	<b>INCENTIVES &amp; BARRIERS FOR INCREASED USE IN TRANSPORT .....</b>	<b>14</b>
5.1	Incentives .....	14
5.2	Fuel Tax Bill 2006.....	15
5.2.1	On-road users.....	15
5.2.2	Off-road users.....	15
5.2.3	Biodiesel blends .....	15
5.2.4	Implications of Fuel Tax Bill 2006.....	16
5.3	Barriers .....	16
5.3.1	Fuel Tax and Excise Grants.....	16
5.3.2	Consumer confidence.....	16
5.3.3	Commercial Risks.....	17
<b>6</b>	<b>ROLE OF GOVERNMENT .....</b>	<b>18</b>
6.1	Queensland .....	18
6.2	New South Wales.....	18
6.3	South Australia .....	18
<b>7</b>	<b>RECOMMENDATIONS.....</b>	<b>19</b>

## 1 EXECUTIVE SUMMARY

As increased worldwide demand for oil continues to keep prices high, the Victorian Government has an opportunity to play a leading role by supporting and promoting a sustainable alternative fuels sector. With the increasing cost of fuel challenging Victorians daily, on an individual and business level, it is essential the Victorian Government take action to ensure the long-term sustainability of the biofuels sector locally, and set the pace nationally.

Achieving a rapid scale-up of local biodiesel production – that can be sustained over the long-term – will help manage the supply of fuel to Victoria’s transport sector. Promoting the production and use of biodiesel will lessen the use and reliance of fossil fuels, contribute to reducing greenhouse gases and assist the Victorian economy generally, through import substitution and the development of a new local industry.

This submission makes the case for effective biodiesel market development to help Victoria achieve a more diversified and sustainable transport energy market, and argues that Government has a leading role to play in initiating policy and providing fiscal and biodiesel user incentives, in order to help the industry move quickly through early commercial barriers.

Axiom Energy commends the Victorian Government’s initiative to establish this inquiry and urges that Government use this as a platform to spearhead growth in the emerging biodiesel industry and establish Victoria as a leader in sustainable energy - which will ultimately deliver green credentials to Victorian communities and businesses. The recommendations made by this submission are as follows:

1. Develop a competitive and sustainable biodiesel industry in Victoria
  - Lobby the Federal Government to continue and extend current fuel tax excise grants for biodiesel<sup>1</sup>
  - Ensure and promote quality standards of biodiesel blended fuels to instill consumer confidence and encourage consistent industry standards
2. Government purchase of biodiesel
  - Promote Victorian Government’s leadership in the purchasing of biodiesel blends to run government fleets and public transportation.
3. Mandate biodiesel usage

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<sup>1</sup> Refers to Energy Grants (Cleaner Fuels) Scheme.

- Mandate biodiesel usage through a range of state-based tax incentives, such as environmental grants to individual users of biodiesel
  - Encourage the use of biodiesel blends in all government contract-based work negotiations
  - Give preferential treatment to companies with active biodiesel uptake programs
  - Lobby the Federal Government to mandate biodiesel use nationally
4. Establish an educational campaign strategy to promote consumer and market confidence
- Introduce state-wide strategies to increase community awareness and comfort with biodiesel
  - Work with Federal Government and fuel companies to provide greater assurance to motoring public that biodiesel is a safe fuel that adheres to appropriate standards
  - Engage industry participants and associations to develop initiatives in partnership with Government to endorse and drive community demand for biodiesel
5. Funding of research into biodiesel sector
- Target grant funding support for the development of research into the economic boosts biodiesel production could have on state farming communities
  - Target grant funding support for the development of research into Victorian feedstock farming capabilities for use in biodiesel production
  - Maximise opportunities for conference/roundtable discussion into biodiesel production and consumption development
  - Facilitate joint industry and Government collaboration in new biodiesel-related technologies

Axiom Energy Limited is a Victorian-based energy business focused on producing renewable fuels and other environmentally enhancing energy products. Headquartered in Melbourne, the company is driving alternative fuel projects, which will contribute to meet the growing demand for renewable fuel both locally and globally.

Axiom Energy's first project will be based in Geelong with capacity to produce 150 million litres per annum, and capability to double production. The project will see the company become the leading producer of biodiesel in Victoria using renewable plant oils and animal fats.

## 2 AXIOM ENERGY

Axiom Energy is an Australian energy business focused on producing renewable fuels and other environmentally enhancing energy products. Headquartered in Melbourne, the company is driving alternative fuel projects, which will contribute to meet the growing demand for renewable fuel both locally and globally.

Axiom Energy's first project will see the company become the leading producer of biodiesel in Victoria using renewable plant oils and animal fats.

In May 2006, the company announced the first of its liquid fuel projects with the planned establishment of a biodiesel manufacturing facility located at Toll GeelongPort.

The manufacturing facility will have capacity to produce 150 million litres per annum of biodiesel (43 percent of the Australian Government's biofuels target of 350 million litres per annum) made from renewable plant oils and animal fats with capability to double production.

On completion, the company's biodiesel manufacturing facility at Toll GeelongPort will be one of the largest in Victoria and with production scheduled to commence by the third quarter of 2007, it will be one of the first Victorian producers to market biodiesel on a large commercial scale.

Toll Holdings has demonstrated its support for the project by providing the opportunity for Axiom Energy to secure a long-term lease holding for a one-hectare site. Terminals Pty Ltd is providing facilities for the handling and storage of bulk liquid feedstock and product.

The combined investment in Geelong will total approximately \$50 million and will be made up of Axiom Energy's biodiesel manufacturing facility as well as the investment in expanded storage facilities by Terminals Pty Ltd.

### **3 OVERVIEW**

The two primary biofuels in use in Australia today are ethanol and biodiesel, both of which can be used in existing vehicles. These two fuels have the potential to substitute a portion of petroleum fuels used in Australia. Specifically, blended ethanol is generally sold as a substitute for automotive gasoline (petrol), and blended biodiesel as a substitute for petroleum diesel.

#### **3.1 DEFINITIONS OF BIOFUELS IN AUSTRALIA**

##### **3.1.1 BIODIESEL**

Biodiesel is an ester that can be made from several oils such as new or used vegetable oils or animal fats, and is typically produced by a reaction of these oils with an alcohol, in the presence of a catalyst. Current potential feedstocks for biodiesel include vegetable/grain oils, tallow and used cooking oil.

Biodiesel is simple to use, biodegradable, non-toxic, and significantly reduces emissions as compared to traditional petroleum diesel. Biodiesel can be mixed with petroleum diesel to create a biodiesel blend, which can be sold into the general diesel market. The low emissions of biodiesel make it an ideal fuel for use in marine areas, national parks and forests, and polluted cities.

##### **3.1.2 ETHANOL**

Ethanol is used for a variety of purposes, including as a fuel, and can be produced industrially or from the fermentation of biomass feedstocks. While ethanol can be produced from a variety of feedstock, at present there are two renewable sources of ethanol used commercially in Australia – from the fermentation of sugar or wheat starch, and from C-grade molasses. These sugars and starches are fermented into ethanol, which are then distilled into its final form for automotive use.

Ethanol is simple to use, non-toxic, and significantly reduces emissions as compared with traditional unblended petroleum. Ethanol can be mixed with petroleum to create a blend, which can be sold into the general petroleum market.

**This submission makes the case for Government support for the growth of a biodiesel industry in Victoria.**

### **3.2 BIODIESEL AS A TRANSPORT FUEL**

Biodiesel may be used in conventional diesel engines and can be used as a direct replacement or blend stock component for petroleum-based diesel fuel, subject to engine manufacturers' advice.

- Biodiesel blends have been shown to improve lubricity, which reduces engine wear.
- Blending diesel with biodiesel also increases its biodegradability, which is an attractive property for marine fuel use.
- Biodiesel has a higher Cetane Number than petroleum diesel, leading to smoother ignition.
- Biodiesel has a significantly higher Flash Point than petroleum diesel. This facilitates its safe storage, transportation and use
- Biodiesel diversifies the source of fuel supplies assisting with balance of payments and energy security.

#### **3.2.1 PURE BIODIESEL (B100)**

The environmental credentials of pure biodiesel are likely to appeal to customers who value its high renewable resources content, its very low emissions of greenhouse gases, its reduction of carbon-based compounds and air toxics, and its other environmental benefits such as its biodegradability and non-toxicity. These characteristics of B100 favour the fuel's use in environmentally sensitive areas.

#### **3.2.2 BIODIESEL BLENDS**

The bulk of biodiesel in Australia is sold in blends with petroleum diesel. B20 (which consists of 20 per cent biodiesel and 80 percent petroleum diesel) is a common blend level in Europe and the USA and may be used as a universal diesel fuel without equipment modifications. Low blends of biodiesel would also conform to the petroleum diesel standard and are extremely unlikely to cause issues with vehicle operability.

### **3.3 MANUFACTURE OF BIODIESEL**

Commercial scale biodiesel is relatively new in Australia. Until the enactment of the Australian Biodiesel Standard in September 2003, there were several 'backyard' producers and biodiesel 'enthusiasts' actively producing and using small quantities of self-made biodiesel. Since then, the advent of the biodiesel standard, and the Government's Energy Grants (Cleaner Fuels) scheme, has seen the shift to commercial entities in the market.

Key Australian players are as follows:

- Australia's first large scale biodiesel production plant is Biodiesel Industries Australia's 20 million litres per year plant at Rutherford in the NSW Hunter Valley.
- A 45 million litre per year plant by the Australian Biodiesel Group (ABG) is in commercial operation at Berkeley Vale, near Wyong, NSW. ABG is also in the process of commissioning a further plant in Narangba, QLD.
- Ecotech has also commissioned a 40 million litre per year plant near the ABG plant in Narangba.
- The Australian Renewable Fuels' 44.4 million litre per year facility in Port Adelaide has also been opened, with a similar size plant set to open at Picton, Western Australia in late 2006.
- A 44 million litre plant by Riverina Biofuels Pty Ltd at Deniliquin, NSW was a recipient of a Biofuels Capital Infrastructure Grant, as is a plant planned by Biodiesel Producers Limited for Barnawartha, Victoria, which will have a capacity of 60 million litres per year.
- Another biodiesel plant by Natural Fuel is being constructed at Darwin, Northern Territory, which will have a capacity of 150 million litres per annum.
- The Victor Smorgon Group plant in Laverton, Victoria and South Australian Farmers Fuel are small producers in the Australian Market.

### **3.4 AVAILABILITY OF BIODIESEL**

There are currently no mechanisms for accurately measuring and reporting trends in production, sales, stocks, imports or exports or biodiesel. However, according to records citing Australian tax biodiesel production grants, biodiesel has increased as a fuel constituent in Australia.

- Production of biodiesel increased from approximately 1 million litres in 2003-04 to 4 million litres in 2004-05.<sup>2</sup>
- Estimated usage of biodiesel in 2005 totalled 20 million litres with only two small plants operating.
- Projections climb between 2006-2010 with planned plant capacity between 750 million and one billion litres per annum.

On a global scale, biodiesel is one of the most widely used and reliable renewable fuels. Currently, the largest market for biodiesel exists in the European Union (EU). Approximately 2.95 billion litres of biodiesel were consumed in 2005. A number of EU members, such as France, have tax incentives to spur the growth of the biodiesel market.

- In May 2003, the EU Commission set a target for renewable resource fuels of at least 2 percent of all petrol and diesel used for motor transport by 2005, increasing to 5.75 percent by 2010.
- The International Energy Agency notes in its 'Biofuels for Transport' report that this target could result in over 10 billion litres of biodiesel production in the EU by 2010.

The United States is currently the second largest market for biodiesel in the world.

- On 22 October 2004, the American JOBS Creation Act 2004 introduced a national biodiesel tax incentive.
- The US Government has also mandated that the use of renewable fuel must almost double by 2012.

A number of Asian countries are also developing markets for biodiesel.

- China consumed some 108,000 million litres of diesel in 2004, of which 68 million litres was biodiesel. Biodiesel is also listed as a research and development priority.
- In 2003, the Indian Government foreshadowed a mandate of B20 by 2011. It has also proposed a demonstration project using a non-edible oilseed.

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<sup>2</sup> Based on Australian Taxation Office advice for the biodiesel production grant.

- In South-east Asia, Malaysia and Indonesia lead the way in forecasted biodiesel production figures.
- Thailand has a biodiesel production capacity target of 176 million litres in 2006, rising to 722 million litres in 2010.

## 4 IMPACT OF MANUFACTURE AND USAGE

### 4.1 ENVIRONMENTAL BENEFITS

Biodiesel is non-toxic and its low emissions make it ideal for use in marine areas, national parks, forests and heavily polluted cities:

- Harmful emissions, including carbon monoxide, particulate matter and hydrocarbons, are reduced by more than 50 percent when compared with petroleum diesel.
- While low sulphur diesel use in a truck emits, on a life cycle basis, some 925 grams of greenhouse gases per kilometer, biodiesel from vegetable oils and tallow typically have greenhouse gas emissions in the range of 325 to 441 grams/km, a reduction of some 52 to 65 percent.<sup>3</sup>
- Biodiesel is an oxygenated fuel, containing oxygen in its molecular structure. This ensures better combustion, reducing black smoke and unburnt hydrocarbons. This also reduces carbon monoxide emissions, an air pollutant.
- The exhaust emissions of carbon monoxide and carbon dioxide in biodiesel are 48 and 78 per cent less than emissions from petroleum diesel respectively.
- Sulphur oxides and sulphates (major components of acid rain) are essentially eliminated in biodiesel when compared to that of petroleum diesel.
- Biodiesel has a positive energy balance. For every unit of energy needed to produce a litre of biodiesel, 3.24 units of energy are gained.

EMISSIONS FROM PETROLEUM-BASED FUELS	EMISSIONS FROM PETROLEUM-BASED FUELS
Carbon Monoxide (CO)	50%
Carbon dioxide	78%
Benzofluoranthene	56%
Benzopyrene	71%
Sulfur (SO <sub>2</sub> )	100%
Breathing particulates	47%

<sup>3</sup> CSIRO Report EV45A/2/F3C *Comparison of Transport Fuels*. Final Report to the Australian Greenhouse Office on the Stage 2 study of Life-cycle Emissions Analysis of Alternative Fuels for Heavy Vehicles, 2003.

Biodiesel fuels are also readily biodegradable compounds that are not only well-suited to environmentally sensitive areas, but also allow for significant benefits to the environment and public health:

- It is a renewable fuel derived from biogenic resources, in stark contrast to petroleum diesel which is derived from a fossil fuel.
- Studies have shown pure biodiesel to be on par with salt for toxicity.
- Biodiesel is significantly more biodegradable than petroleum diesel. Fossil diesel degrades only 50 percent during the first 21 days after spilling, while biodiesel is broken down 98 percent over the same period.<sup>4</sup>
- Blending biodiesel with petroleum diesel also accelerates its biodegradability - the more biodiesel present in a biodiesel/diesel mixture, the faster the degradation rate.

## **4.2 ECONOMIC BENEFITS**

Biodiesel production will bring local benefits, including increased employment and potentially more efficient use of agricultural residues. It is anticipated that meeting the 350 million litre Federal Government biofuels target by 2010 would involve investment in biodiesel capacity in Victoria<sup>5</sup>.

- According to the Federal Government's biofuels taskforce report to the Prime Minister, economic modelling suggests that meeting the national biofuels target could provide some 648 direct and indirect jobs regionally, although these would not be net gains to employment nationally.
- In addition, the Federal Government's current excise exemption to biodiesel producers allow them to offer biodiesel at a discount, translating into potential consumer savings in fuel costs.
- The development of a growing biodiesel industry could also significantly grow demand for a wide range of feed stocks, which would help develop regional farming communities.

## **4.3 OIL IMPORTS**

The world's demand for fossil fuel is growing faster than existing production capacities. While the passenger transport industry in Australia is largely dominated by petrol, demand for petroleum diesel has surpassed that of automotive gasoline (petrol) in recent years.

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<sup>4</sup> European Commission, Joint Research Centre Report EUR 20279 EN *Techno-economic analysis of Bio-diesel production in the EU: a short summary for decision-makers*, May 2002.

<sup>5</sup> Report of the Biofuels Taskforce to the Prime Minister, August 2005.

- In 2003-04, the demand for petroleum-based transport fuels was about 42,500 million litres per annum, with 47 percent or 19,962 million litres of demand for automotive gasoline and 34 percent or 14,462 million litres for automotive diesel<sup>6</sup>.
- In recent years, demand for diesel has been growing at around 3 percent a year, while demand for automotive gasoline and other products has been growing much lower, at around 1.2 percent a year.

Australia currently imports about 13 percent of its petrol, 17 percent of diesel and about 3 percent of jet fuel, and long-term energy consumption and production projections indicate that Australia's dependence on imported oil and petroleum products will increase considerably over the period to 2019-20<sup>7</sup>.

- In Australia, where demand for imported petroleum diesel alone lies at some 4 billion litres of diesel, the initial planned Victorian production of some 300 million litres of biodiesel would equate to an approximate 7.5 percent decrease in the reliance of imported petroleum diesel.
- Building a sustainable biodiesel industry in Victoria will provide for the ability to decrease reliance on the importing of diesel.

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<sup>6</sup> Australian Petroleum Statistics, the Department of Industry Tourism and Resources.

<sup>7</sup> ABARE, Australian Energy national and state projections to 2019-2020, August 2004.

## **5 INCENTIVES & BARRIERS FOR INCREASED USE IN TRANSPORT**

### **5.1 INCENTIVES**

A major stimulus was provided to the Australian biofuels market by the Federal Government's policy of establishing a 350 million litres per annum biofuels target by 2010. In support of this target, one-off capital grants totalling \$37.6 million dollars have been made available by the Australian Government to competitively bid projects for the construction of new biofuels plants or additional plant capacity.

- This subsidy is being provided at a rate of 16 cents per litre for projects producing a minimum of 5 million litres of biofuel a year, with grants limited to a maximum of \$10 million per project.
- In two rounds of this program, seven projects have been identified for funding, of which four are biodiesel plants.

One of the main drivers for the industry is the current, effective, excise exemption of 39.143 cents per litre provided for biodiesel production. The Energy Grants (Cleaner Fuels) scheme offsets excise or customs duty paid, so that the effective rate of excise for biodiesel is zero.

- To receive the rebate on the excise, the biodiesel produced is required to meet the Australian Standard.
- This rebate will remain available until 1 July 2011, when the rebate reduces over five years, until the effective excise rate reaches 19.1 cents per litre from 1 July 2015. This is half the excise rate applicable to low sulphur petroleum diesel.

While recent media attention has captured much objection to the newly passed Fuel Tax Bill 2006, biodiesel producers are still able to claim full excise grants as above.

## **5.2 FUEL TAX BILL 2006**

The Fuel Tax Bill 2006 is designed to establish a system of fuel tax credits that will replace energy/fuel grants currently provided under a scheme open to road transport operators and businesses involved in industries such as agriculture, fishing, forestry, marine and rail transport, and mining.

The main change that has arisen from the Bill pertaining to biodiesel is the ability for eligible off-road and on-road business consumers to claim a tax credit for 100 per cent biodiesel and some biodiesel blends.

### **5.2.1 ON-ROAD USERS**

While eligible on-road biodiesel consumers will not be eligible for a fuel tax credit until 1 July 2011, they will continue to receive a fuel grant under the Energy Grant (Credit) Scheme Act for fuel purchased during the period 1 July 2006 and 30 June 2010.

This grant pertains solely to alternative fuels, such as biodiesel and eligible biodiesel blends, and is available for on-road business users whose vehicles meet certain specifications - over 20 tonnes gross vehicle mass, or at least 4.5 tonnes and less than 20 tonnes gross vehicle mass when operating outside of, or across defined metropolitan boundaries.

This grant will be phased out over the next four years, when fuel tax credits replace the system on 30 June 2010.

### **5.2.2 OFF-ROAD USERS**

Biodiesel acquired for off-road business use are not eligible for grants under the Energy Grants (Credit) System Act, nor are they eligible for fuel tax credits.

Under the Bill, the amount of fuel tax credit to be claimed by businesses must equal the amount of "effective fuel tax" that is embedded in the price of the fuel. As biodiesel producers currently receive a government grant that offsets the amount of excise payable, the "effective fuel tax" payable in respect of 100 per cent biodiesel from 1 July 2006 to 30 June 2011 is viewed by the Government as zero.

Therefore, no fuel tax credit will be available for off-road businesses using 100 per cent biodiesel under the terms of the Bill until 30 June 2011.

### **5.2.3 BIODIESEL BLENDS**

Generally, the Bill provides that the fuel tax credit for blended biofuels will equal the amount of "effective fuel tax" embedded in the price of the fuel blend. This means that the credit will be determined from the amount of "effective fuel tax" payable on fuels that made up the blend.

For example, if a company purchases a B20 blend, the company will be eligible for a fuel tax credit on the petroleum diesel portion, but not the biodiesel portion.

There is, however, an exception to this rule. Under the new legislation, where a particular fuel blend meets a fuel standard under the Fuel Quality Standards Act for petrol or diesel, the fuel tax credit payable will be calculated as though the blend was a fuel made up entirely of that standard.

In the case of biodiesel blends, blends that meet the petroleum diesel standard would be treated as petroleum diesel for the purposes of calculating a business user's eligibility for fuel tax credit. Therefore, under this exception, both on-road and off-road users that qualify for excise rebates would be able to claim a fuel tax credit on a blend of biodiesel as though it were unblended petroleum diesel.

#### **5.2.4 IMPLICATIONS OF FUEL TAX BILL 2006**

While the introduction of the Fuel Tax Bill 2006 removed the ability for certain biodiesel users to claim excise credits, most on-road or off-road users remain unaffected, so long as the blend used meets the Australian diesel standard.

### **5.3 BARRIERS**

#### **5.3.1 FUEL TAX AND EXCISE GRANTS**

Much public and media criticism surrounding the Federal Governments fuel tax reforms have pointed out that several biofuel project proponents may not have factored in the full implications of these reforms and the commercial impact of these reforms on project viability. This concern is not shared by all producers, however, and several biofuel proponents have had the opportunity to incorporate all changes into their business and financial modelling.

However, the complexity surrounding the reforms and the difficulty in explaining these to the lay person have had negative impacts on biofuel stock performance and consumer confidence.

#### **5.3.2 CONSUMER CONFIDENCE**

Apart from negative attention garnered as a result of the complexity of recent fuel tax reforms, there has been to date no additional serious consumer confidence issues associated with biodiesel. While this has not been illustrated as a serious problem, it is essential that current confidence levels be maintained.

A number of oil companies have publicly stated their intent to become involved in the marketing of biodiesel; however, confidence can be fragile

and biodiesel suppliers will need to ensure that consumers are properly advised on fuel blends and take care to meeting fuel quality standards<sup>8</sup>.

Currently, biodiesel is being marketed in Australia at range different blends, with consumers not always being aware of the percentage make-up of the fuel. It is essential appropriate standards are in place that inform consumers of what they are buying. It is also important that the appropriate information be available helping consumer make appropriate fuel choices.

### **5.3.3 COMMERCIAL RISKS**

A key barrier to the uptake of biodiesel in the market is the high level of commercial risk associated with market entry. Commercial risks can present themselves in a number of important aspects, including the following:

- Low consumer confidence in biodiesel can result in little or no demand for the product.
- Lack of demand for biodiesel can have negative impacts on efforts by project financiers and investors to underpin investments.
- Oil company fear of not achieving an appropriate commercial return for the marketing of biodiesel as opposed to petroleum diesel.
- Concerns regarding supply reliability, i.e. having a sufficient level of guaranteed supply from a small biodiesel industry.

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<sup>8</sup> Report of the Biofuels Taskforce to the Prime Minister, August 2005.

## **6 ROLE OF GOVERNMENT**

The Victorian Government has thus far been supportive of biofuels proponents and has taken several forward steps towards the promotion and prioritisation of biofuels amongst consumers and within the wider transport fuel industry. The Government recently announced its intent to invest in a minimum of 150 hybrid cars and rely on ethanol blended fuel as demonstrative of its commitment and support of suppliers of sustainable products and services.

This submission acknowledges and welcomes the Victorian Government's support on these matters, and recommends that it has an opportunity to play a greater leading role in the establishment of a thriving biodiesel industry on both a state-wide and national level.

Other state governments have similarly enacted policies to support biofuels production, use and trade; however, apart from a recent announcement by the Queensland Government to develop a Biodiesel Industry Action Plan in 2006, no state governments have assumed key leading roles on biodiesel production as yet.

### **6.1 QUEENSLAND**

In April 2005, Premier Beattie launched the Queensland Government's Ethanol Industry Action Plan 2005-2007, under which the Queensland Government will seek to provide \$7.3 million over two years for programmes to support the development of the Queensland ethanol industry. The plan is designed to assist the Queensland ethanol industry in improving its capacity to market ethanol-blended fuels and assisting diesel-based fleet operators with technical conversations to allow the use of diesel-ethanol blends.

### **6.2 NEW SOUTH WALES**

In November 2005, the New South Wales cabinet endorsed new guidelines committing the Government to use biofuels as part of its overall *Cleaner NSW Government Fleet Policy*. From July 2006, all public service staff driving Government-owned vehicles have been required to use ethanol blends where practicable, available and cost effective. The Government is also carrying out evaluation of tenders for both ethanol blends and biodiesel from fuel suppliers.

### **6.3 SOUTH AUSTRALIA**

In February 2005, Premier Rann announced a new clean-fuel initiative as part of the South Australian Government's plan to reduce greenhouse gas emissions and fuel consumption. In March 2005, the Government took up a biodiesel blend for all metro trains and diesel buses.

## 7 RECOMMENDATIONS

This submission responds directly to the following terms of reference:

- Current manufacture, availability and use of biodiesel for transport applications in Australia and Victoria;
- Potential environmental, economic and social impacts of increased manufacture and use of biodiesel for transport applications;
- The impact of reducing reliance on oil imports as a result of increased use of biofuel for transport;
- Barriers to and incentives for increased use of biodiesel for transport;
- The role of government in the manufacture and use of biodiesel for transport.

Establishing supportive government policies have been essential to the recent development of the biodiesel industry worldwide. Blending mandates, tax incentives, government purchasing policies, and support for biofuel-compatible infrastructure and technologies have been successful in fostering biodiesel production on a global scale.

As such, Axiom Energy makes the following recommendations:

1. Develop a competitive and sustainable biodiesel industry in Victoria
  - Lobby the Federal Government to continue and extend current fuel tax excise grants for biodiesel<sup>9</sup>
  - Ensure and promote quality standards of biodiesel blended fuels to instill consumer confidence and encourage consistent industry standards
2. Government purchase of biodiesel
  - Promote Victorian Government's leadership in the purchasing of biodiesel blends to run government fleets and public transportation.
3. Mandate biodiesel usage
  - Mandate biodiesel usage through a range of state-based tax incentives, such as environmental grants to individual users of biodiesel
  - Encourage the use of biodiesel blends in all government contract-based work negotiations

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<sup>9</sup> Refers to Energy Grants (Cleaner Fuels) Scheme.

- Give preferential treatment to companies with active biodiesel uptake programs
  - Lobby the Federal Government to mandate biodiesel use nationally
4. Establish an educational campaign strategy to promote consumer and market confidence
- Introduce state-wide strategies to increase community awareness and comfort with biodiesel
  - Work with Federal Government and fuel companies to provide greater assurance to motoring public that biodiesel is a safe fuel that adheres to appropriate standards
  - Engage industry participants and associations to develop initiatives in partnership with Government to endorse and drive community demand for biodiesel
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- Target grant funding support for the development of research into the economic boosts biodiesel production could have on state farming communities
  - Target grant funding support for the development of research into Victorian feedstock farming capabilities for use in biodiesel production
  - Maximise opportunities for conference/roundtable discussion into biodiesel production and consumption development
  - Facilitate joint industry and Government collaboration in new biodiesel-related technologies

Facilitate joint industry and Government collaboration in new biodiesel-related technologies Axiom Energy looks forward to the opportunity to discuss these matters in greater detail with decision-makers. Please let us know if we can assist in any way.