Thank you for the opportunity to provide a submission to the Queensland Government's *Towards a clean energy economy: achieving a biofuel mandate for Queensland* discussion paper. This submission focuses specifically on consumer advocacy.

The RACQ represents 1.2 million motoring members and seeks to maintain the viability of motor vehicle transport on their behalf. RACQ has an existing policy on ethanol-blended fuels, included with this submission. The policy's recommendations are carefully tailored to balance the competing objectives of the biofuel and retail fuel industries without creating substantial detriment to motorists throughout Queensland.

RACQ is pleased the paper is consistent with our Ethanol-blended Fuels Policy and includes measures to avoid the excessive increase in premium fuels sales caused by the NSW ethanol mandate. The RACQ welcomes:

- The on-going commitment to consumer choice
- The graduated implementation of the mandate
- The starting percentage of 2% of regular unleaded petrol sales
- The review process to ensure future increments do not negatively impact consumers, and
- The commitment to an education campaign that highlights the benefits of ethanol and advises motorists whether their vehicle can use ethanol blended petrol.

The RACQ is also supportive of the objective to develop the ethanol industry to improve regional and economic diversity.

This submission addresses the questions posed in the paper.

The policy environment

1. Will the changes to excise arrangements proposed by the Federal Government have an effect on the use of biofuels by consumers?

The changes to the excise arrangements are likely to have a negative impact on sales of E10.

For motorists, using E10 instead of regular unleaded petrol (RULP) is not a financially favourable proposition because the energy content of E10 is 3% lower than RULP, with evidence suggesting fuel-usage is 3% greater using E10 compared to RULP.

Assuming a RULP price of 130cpl (the average RULP price in Brisbane for the first half of 2015), E10 would need to be 3.9cpl cheaper than RULP to offset the increased fuel-use. The price difference between E10 and RULP in Brisbane for the first half of 2015 was 2.4cpl. Under the current excise regime E10 attracts 4.3cpl less tax than RULP (3.9cpl less excise and 0.4cpl less GST). If this saving was passed in full to consumers E10 would be a financially favourable proposition. United Petroleum currently maintain a 4cpl price differential between E10 and RULP at their sites in Brisbane, this price difference makes E10 a financially favourable proposition.

2. What measures can be taken to offset any possible negative impacts by the proposed changes to excise arrangements by the Federal Government?

The increases in Federal excise on ethanol still provide a substantial advantage to domestic ethanol production over imported product and over petrol. It is incumbent on the biofuel industry to produce ethanol at competitive prices so E10 retains a discount compared with RULP.

The ethanol percentage

3. Is a two per cent ethanol mandate appropriate?

Given the current and historic sales volumes, a 2% mandate of RULP is appropriate as it establishes a demand floor without distorting the market to an extent where large costs or inconvenience are imposed on fuel retailers or motorists.

4. Should the percentage increase, and if so, over what time period should any increases occur?

Periodic increases to the mandate are appropriate, but should be linked to a set of performance criteria. Key criteria should assess both E10 compatibility in the Queensland vehicle fleet and consumer behaviour such as whether users are unnecessarily moving to premium unleaded petrol (PULP).

The issue of E10 compatibility should be subject to on-going evaluation. The latest research (Wilson et al.[1] 2011) suggests that 14.7% of the Australian fleet is not E10 compatible. While there are legitimate concerns with the assumptions made in this study, this is a critical criterion affecting consumer choice. Further research is required to assess the future levels of E10 compatibility of the Queensland vehicle fleet.

A major concern for RACQ is vehicle operating costs. Experience of the NSW ethanol mandate shows the volumes of PULP sales have substantially increased. The impact of the Queensland mandate on PULP sales should be the second criterion in assessing further increases in the mandated ethanol percentage.

Any such comparison should be benchmarked against the sales split of RULP and PULP in the other states, excluding NSW so the results reflect changes in the vehicle fleet and consumer choice rather than the impacts of an ethanol mandate.

RACQ would support an increase to a 3% mandate in 2020.

[1] Wilson A, Bolton N, Thomas S and Dargush P, (2011), *The E10 compatibility of the Australian fleet*, UQ SMART.

5. What is an appropriate mandated percentage for biodiesel?

An initial mandate for biodiesel should be set based on the capacity of biodiesel producers to reliably deliver the product and any blending or other infrastructure and equipment constraints in the fuel industry.

RACQ notes that the Australian Fuel Quality Standards allow for 5% biodiesel to be blended in to mineral diesel. As biodiesel is chemically similar to mineral diesel many of the issues present with ethanol in petrol are not present when considering a biodiesel mandate. Any mandate up to 5% is appropriate for motorists if the supply chain can reliably deliver.

6. What timeframe would stakeholders need to prepare for and meet this requirement?

An appropriate timeframe should be defined by the biodiesel and fuel industries. The timeframe should be sufficient to allow for the biodiesel industry to produce the required volume and the fuel industry to build appropriate blending facilities at reasonable cost.

7. When do you think that a mandate will no longer be necessary?

A mandate will no longer be required when all new petrol vehicles are E10 compatible, and very few non-E10 compatible vehicles remain in the fleet. At this point it may be appropriate for E10 to replace RULP as the base fuel.

At such time, provisions should be made to ensure owners of historic vehicles can purchase non-ethanol blended petrol.

Liable parties

8. Is the class of retailer appropriate? Should the definition be expanded to include those with less retail sites?

The retailer classes are not appropriate. Further investigation is required to determine the structure of the Queensland fuel retail sector. RACQ understands that a large proportion of fuel retail businesses are small and medium sized business and franchise-holders. Many of these businesses may not own 10 or more sites. For many sites the branding of the site is not a sufficient indication of ownership.

9. Is there an alternative method of defining the retailer? For example, should all sites that sell three or more petrol blends be included under the definition? Or should all sites that trade over a certain volume of fuel be included?

A measure should be agreed that captures all retail sites that sell substantial volumes and offer multiple petrol blends. Special consideration should be made for low volume fuel retailers and those in remote locations.

Reporting requirements

10. Is this level of detail appropriate for liable entities?

RACQ considers the reporting requirements to be appropriate.

11. Is there any other data or information that should be requested in the quarterly reports?

Currently an E10 blend is a blend of “up to 10% ethanol”, the volume of ethanol blended may be less than 10%. Retailers and wholesalers should be required to report the percentage of ethanol. Any reporting regime however, must accommodate the likelihood that the ethanol proportion changes between batches.

12. Can this information and data be used in other ways to support industry?

Following suitable de-identification and aggregation, this data should be made available to industry, academia and other interested parties. The level of aggregation should be such to allow analysis at the most fine geographic area that allows for anonymity of individual retailers. Standard statistical methods should be applied to assess the appropriate level of aggregation.

Exemptions

13. To ensure the exemption framework is effective, what would be a reasonable timeframe for response to a request for exemption?

RACQ does not have a view on this matter.

14. How can Government ensure that an exemption framework is not used as a way for liable parties to negate their responsibilities?

The Queensland Government should design the exemption framework to avoid this situation. For sites that are exempt for reasons apart from low volume sales or remoteness, the exemption should include a plan for eventual compliance with the mandate, with progress reported annually.

Penalties

15. Are these penalties appropriate?

The appropriateness of the penalty depends whether it is applied per site, or per business. For a large integrated retail business with many sites, the penalty may be too low, if applied to the whole company.

16. Do they incentivise liable parties to meet their obligation?

The higher penalties for subsequent offences should incentivise liable parties to seek to comply.

17. If the mandate increases should the penalties change?

The penalties should remain unchanged.

Expert Panel/Implementation Board

18. Should Queensland have an expert panel or implementation board? If so, which sectors should be represented?

RACQ supports the formation of an expert panel or implementation board. It is important that this body includes consumer advocates, in addition to fuel and bio-fuel industry representatives.

19. How can the panel discharge their responsibilities appropriately and facilitate the required mandate being met?

The panel should include sufficient expertise and receive access to data and departmental resources to properly oversee the policy framework and evaluation processes.

Protecting the environment

20. Are these sustainability principles appropriate?

RACQ supports the sustainability principles and believes them to be appropriate.

21. Should more stringent environmental measures be applied to the biofuel sector?

The environmental measures should be the same as applied to crops for food production. It should be noted that sugar cane is the most favourable feedstock for an expanded bio-fuels industry.

22. What other environmental risks must be considered in relation to an expanded biofuels industry?

Sediment and nutrient run-off in catchments adjacent to the Great Barrier Reef are of particular concern. RACQ supports the Queensland Government's target to reduce the level of dissolved inorganic nitrogen by 50% and a 20% reduction in sediment run-off by 2018 entering the waters of the Great Barrier Reef.

23. How should they be enforced?

RACQ supports the Queensland Government's current policy of education, monitoring, voluntary compliance agreements and enforcement actions.

Maintaining consumer choice

24. What are the issues that need to be addressed if consumer choice is maintained?

While a substantial proportion of the Queensland fleet cannot use E10, the availability of RULP must be maintained. If RULP becomes unavailable or scarce in a particular market, a substantial proportion of consumers are likely to purchase PULP rather than E10. This has been evident in the NSW market.

In 2010 prior to the previous Queensland ethanol mandate proposal, some retailers removed RULP pumps in an effort to increase E10 sales. While this may be a valid choice for an individual site, problems occur when most sites in a location adopt this strategy. It was evident in Brisbane in 2010 that many retailers were removing RULP.

The experience of the NSW mandate is that many consumers moved to PULP to avoid using E10, even though their vehicles were compatible with E10. This is expensive for consumers and a poor value for choice. An education campaign is critical to the success of the mandate and to allay the fears of some motorists.

25. Will choice of fuel increase costs to retailers or consumers?

There will be some cost to retailers to reconfigure pumps and forecourt signage, but this is expected to be minimal. Maintaining choice should result in little or no increased cost to consumers. However, removing choice would increase cost for consumers forced to drive further to other sites or to purchase PULP.

26. Would a targeted education campaign on the actual benefits and disadvantages of biofuels/E10 contribute to informed consumer choice?

A targeted education campaign would aid consumers in making informed choices. RACQ believes that the education campaign should be broader than just the benefits and disadvantages of E10. It should include how to assess their vehicle for compatibility and that there is limited value in choosing PULP for an E10 compatible vehicle.

27. What are the key messages that must be included in any education campaign for biofuels? Who is the primary audience and what is the most appropriate mechanism to target them?

The education campaign must reach all motorists and use multiple media and social media channels. There should be specific emphasis on radio and forecourt advertising as these are most often accessed while driving or purchasing fuel.

The education campaign should explain the benefits of using ethanol-blended petrol and the potential negatives. New resources that provide information on E10 compatibility should be developed in conjunction with stakeholders. RACQ believes the FCAI website "can my car run on ethanol" is insufficient. A better resource should be developed and available on-line and at fuel retailers.

In addition a campaign targeted at motor mechanics, as key influencers of fuel purchasing behaviour, will also mitigate the potential fuel industry effort to encourage sales of PULP over E10.

Ensuring consumer protection

28. What options could we employ to protect consumers?

Maintaining consumer choice and improving consumer awareness are key to consumer protection. Greater transparency on ethanol price structures would aid consumer protection.

There is a fair degree of transparency in wholesale and retail pricing of petrol. Pricing data is available at a number of points in the supply chain. International oil prices (Tapis and Brent), regional benchmark prices (Singapore wholesale prices), Australian Terminal Gate Prices and retail prices are all readily available. No such pricing is available for ethanol. Ethanol producers should be required to publish a "Terminal Gate Price" for their product. This published price should be subject to the same conditions as applied to other fuels.

A process is required to enable the responsible Minister to reduce or suspend the mandate for a specific time period in response to a natural disaster or other supply constraints.

29. How can we ensure that fuel companies pass the benefits of ethanol through to consumers?

Supply chain transparency is an appropriate mechanism for ensuring the cost benefits are passed on to consumers. Consumer advocates (like the RACQ) and statutory bodies (like the ACCC) currently monitor the fuel industry and seek to ensure prices remain at an appropriate level, and/or competition is allowed to moderate prices across the refining, wholesaling and retail industries.

30. What is an appropriate method for estimating a 'reasonable' ethanol price?

RACQ currently employs an Import Parity Indicative Price (IPIP), based on Singapore prices, to assess appropriateness of Terminal Gate Prices of fuel products in Queensland. If a robust IPIP can be developed based on international trade in ethanol, this would be a useful price benchmark. The IPIP would be adjusted to cater for existing fuel excise levels for domestic and imported ethanol. The comparison with each producers' Terminal Gate Price would reveal if the price is reasonable.

Another useful price benchmark would be an Energy Parity Index (EPI) utilising the Singapore Mogas 95 IPIP as the petrol benchmark. The ethanol TGP would be weighted based on its reduced energy density and compared with Mogas. A figure relatively close to one would be deemed reasonable with a specific level above one set as the point at which ethanol prices are deemed inappropriate.

31. What is an appropriate balance between costs to consumers and the creation of regional jobs?

The costs of meeting a 2% mandate are expected to be minor and should not lead to an increase in retail prices. There should be no need to trade-off increased fuel costs against job creation, or vice versa. A social welfare or economic analysis should be the basis by which proposed modifications or increases to the mandate are assessed.

Securing food supplies

32. Will an effective 'floor' in grain prices, as a result of a mandate, signal to grain growers an opportunity to increase production and investment on-farm?

Any increase in certainty of demand is likely to provide an incentive for farmers to invest in increased production.

33. What mechanisms, if any, should be put in place to avoid distorting the drought feeding market next time drought conditions persist in Queensland?

Any further development of a biofuel industry should not be focused on grains (sorghum or wheat) as a feed stock.

The greatest benefit and lowest risk is likely to be in developing sugar cane as a feedstock, both in first generation production using sugar cane juice or molasses, and second generation using bagasse for lignocellulosic ethanol production.

A process is required to enable the responsible Minister to reduce or suspend the mandate for a specific time period in response to a drought or other supply constraints.

Bio-manufacturing – a new approach

34. What is the role of the Government in attracting a new bio-manufacturing industry in Queensland? Are there specific policy mechanisms or actions that will attract investment and development?

The Queensland Government has a key role in the development of a new bio-manufacturing industry in Queensland. This industry could provide on-going economic and environmental benefits for Queensland. The potential to value add in bio-manufacturing is greater than in bio-fuels, as are the positive benefits in greenhouse gas mitigation. The production of durable plastic products from bio-manufacturing has significant potential for long-term carbon capture and storage.

Conclusion

The RACQ supports the consultative approach taken by the Queensland Government in implementing a new bio-fuel and bio-manufacturing policy environment for Queensland. We welcome the opportunity to provide input into this process and hope to maintain on-going involvement in the evolution of this policy.

RACQ is encouraged by the government's commitment to maintaining consumer choice, and their concern over the cost impacts on consumers. We encourage the Queensland Government to develop an education campaign to highlight the benefits and potential costs for all consumers in Queensland. Such a campaign should involve RACQ and the bio-fuel and fuel industries.

RACQ supports the initial ethanol mandate level of 2% (of RULP/E10 sales) and would support a scaling up of the mandate levels, subject to the criteria highlighted in this submission. We expect by 2020 a mandate could reach 3%.

RACQ does not support the 5% mandate proposed by some stakeholders. The experience in New South Wales shows a 5% ethanol mandate will fail.

RACQ supports a biodiesel mandate subject to the availability of local product, and supports increases up to 5% if and when industry can reliably meet this demand.

Please read this submission in conjunction with the RACQ Ethanol-blended Fuels Policy, April 2015.

Thank you for the opportunity to comment on the *Towards a clean energy economy: achieving a biofuel mandate for Queensland* Discussion Paper.

April 2015

Ethanol-blended Fuels Policy

Ethanol-blended fuels comprise a blend of regular mineral petrol and ethanol, and have been available in Australia for more than 10 years. In 2003 the Federal Government amended the Fuel Quality Standard to require retailers to report an ethanol content of greater than 1%. The most common ethanol-blended fuel is E10, which consists of up to 10% ethanol and 90% mineral petrol. While E10 is widely available in south east Queensland (SEQ), availability is limited in regional Queensland. E10 has had a steady 10% market share in Queensland since late 2011.

Ethanol mandates are used to promote the use of ethanol-blended fuels. In Australia, only New South Wales (NSW) has an ethanol mandate.

The NSW ethanol mandate requires 6% of the total volume of all petrol sales to be ethanol. In effect this requires at least 60% of all petrol sales to be E10. The practical result of this policy has removed regular unleaded petrol from many fuel outlets in NSW, due to limitations on the number of bowsers/fuel types they can offer.

In 2006 the Queensland Government announced an ethanol mandate for Queensland. It proposed that 5% of all petrol sales be ethanol. This mandate was due to be implemented on 31 December 2010, however, it was abandoned in October 2010.

In recent years, the Federal Government has undertaken a range of reviews of Australia's liquid fuel security and broader energy needs for the future. Unfortunately no clear outcomes were agreed.

Liquid fuel legislation and regulation should consider fuel security needs as well as energy affordability, regional development, environmental impacts and other policy objectives relevant to the long term sustainability of our transport, agriculture and manufacturing sectors.

As an island nation with consistent vehicle design regulations across the country, most objectives related to ethanol and fuel security will be consistent across the country. A national policy approach is thus preferred over state-based legislation that has potential to increase vehicle or fuel industry costs or result in perverse consequences.

Issues

An ethanol mandate will have both benefits and negative consequences for different stakeholders.

Evidence from NSW suggests that a mandate will lead to an increase in the use of premium unleaded petrol (PULP), unnecessarily increasing costs for motorists. E10 is currently widely available in metropolitan areas of Queensland and there is an established and stable market. The lower energy content of E10 compared to regular unleaded petrol (RULP) and modest price difference makes E10 less cost effective than RULP. A substantial, but diminishing, proportion of the Queensland car fleet cannot use E10.

E10 use provides environmental benefits in improving urban air quality. Other environmental benefits depend on the feedstock and production processes. Increased use of ethanol supports regional development and regional jobs. Locally produced ethanol improves Australia's energy security by reducing dependency on imported oil and refined fuels

Ethanol Sales in Queensland and NSW

Chart 1 (overleaf) shows the volume of ethanol blended petrol (EBP), RULP and PULP sold in Queensland and NSW, as a percentage of all petrol sales volumes in both states[1].

Until January 2010, sales of E10, RULP and PULP in Queensland and NSW were very similar. The NSW ethanol mandate had been in place for two and half years and had just been increased from 2% to 4%. In Queensland retailers were gearing up for the imposition of a 5% mandate on 31 December 2010. The Queensland Ethanol Conversion Initiative had already provided substantial financial support for retailers to prepare tanks, bowsers, signage and other equipment in preparation for the mandate.

During 2010 the NSW ethanol mandate caused a dramatic increase in E10 sales and a comparable drop in RULP sales. However, the most significant effect has been the increase in the sales of PULP. In January 2010 PULP accounted for 21.6% of all petrol sold in NSW, but this had increased to 30.9% by December 2010. Sales of PULP continued to increase throughout 2011 and 2012. In January 2015, PULP accounted for 44.0% of all petrol sales in NSW and was the largest selling petrol grade.

The NSW ethanol mandate has achieved only a 3% ethanol volume share despite the current legislation prescribing a 6% ethanol volume share. Fuel companies in NSW receive on-going Ministerial exemptions for failing to meet the prescribed mandate.

In Queensland, E10 sales remained steady at just above 20% of total volume until the end of 2010, when the Queensland Government announced it was abandoning the proposed 5% ethanol mandate. Sales of E10 began to fall and by the beginning of 2012, E10 accounted for 10% of sales in Queensland. From early 2011, sales of RULP increased by 10%, capturing most of the lost E10 volumes.

In October 2010, 16% of retailers in SEQ did not sell RULP, only offering E10 and PULP. At that time, the average price of E10 was 2.8 cents per litre lower than RULP in Brisbane and E10 accounted for 21.5% of all petrol sales. By December 2012, E10 accounted for 7.8% of petrol sales in Queensland and the price difference (compared to RULP) had diminished to 2.4 cents per litre. Since then E10 sales remained relatively stable, with E10 accounting for 10.1% of sales volumes in January 2015 with the price difference (compared to RULP) falling slightly to 2.3 cents per litre.

Ethanol Demand and Supply

E10 has been reasonably widely available in Queensland since 2005. After the proposed and subsequently withdrawn ethanol mandate, the market for E10 in Queensland has stablised at about 10% of total sales.

While it could be argued that demand for ethanol in NSW has limited the availability of ethanol for sale in Queensland, this does not appear to be the case. E10 is available at a substantial proportion of fuel retailers in SEQ and motorists who want to use E10 have access to it.

Financial Disincentives for using E10

In Brisbane in January 2015 the price of E10 was 2.3 cpl less than RULP. While E10 appears a cheaper fuel option, cars use about 3% more E10 compared to RULP. For most cars, the cost of increased fuel consumption will be greater than the savings from buying E10. At current prices, E10 would need to be 4.5cpl cheaper than RULP before it became more economical to buy.

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[1] Source: Office of the Chief Economist, Department of Industry and Science (Federal), *Australian Petroleum Statistics*, 2010 to 2015, www.industry.gov.au/industry/Office-of-the-Chief-Economist and Department of Resources, Energy and Tourism (Federal), *Australian Petroleum Statistics*, 2005 to 2009.

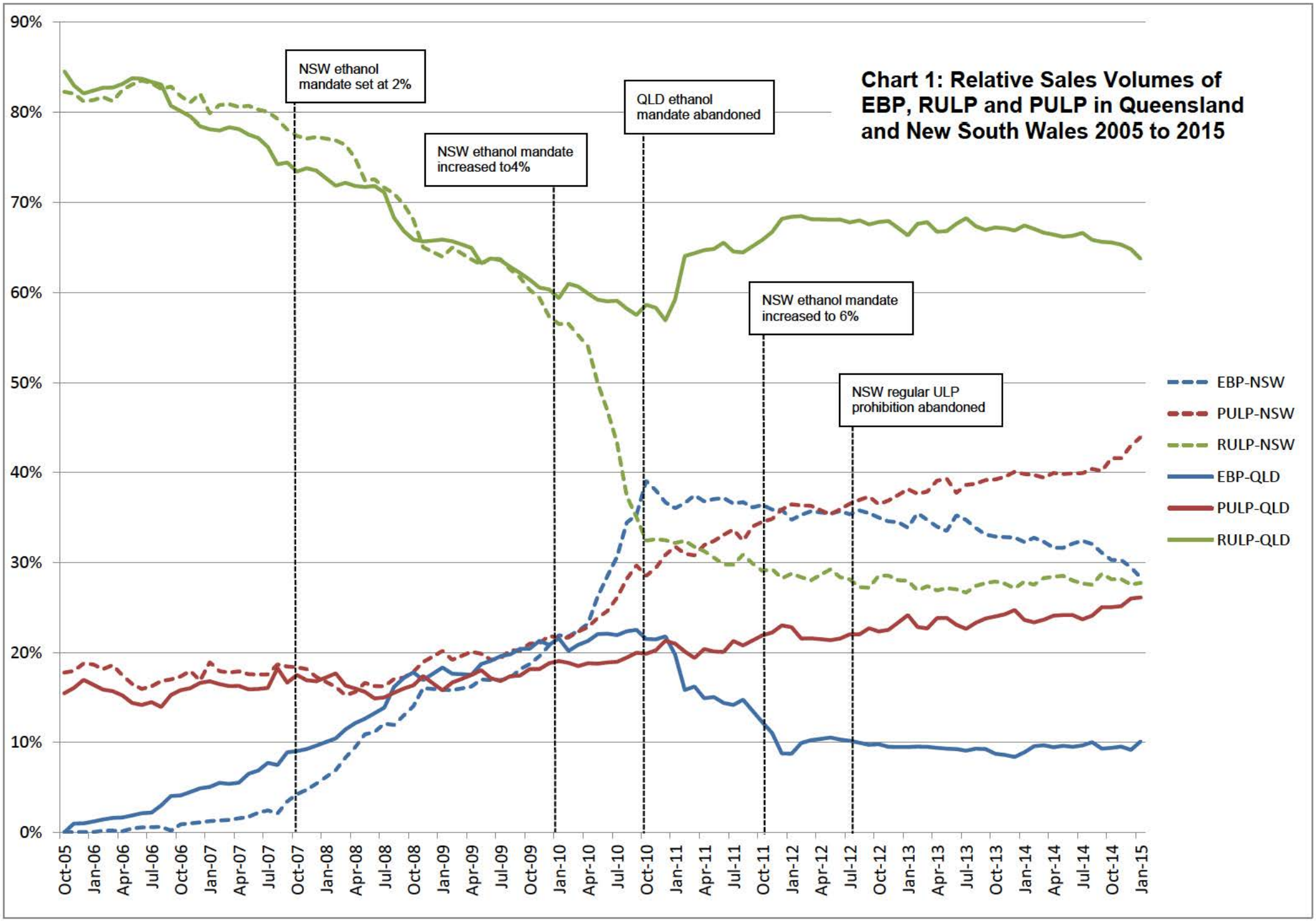
Chart 1: Relative Sales Volumes of EBP, RULP and PULP in Queensland and New South Wales 2005 to 2015
NSW ethanol mandate set at 2%
NSW ethanol mandate increased to4%
QLD ethanol mandate abandoned
NSW ethanol mandate increased to 6%
NSW regular ULP prohibition abandoned
EBP-NSW
PULP-NSW
RULP-NSW
EBP-QLD
PULP-QLD
RULP-QLD
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Oct-05
Jan-06
Apr-06
Jul-06
Oct-06
Jan-07
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As the NSW mandate demonstrated, when the choice to buy RULP is removed many motorists will buy the more expensive PULP rather than E10. While some people will have no choice as this is the only non-ethanol blended fuel and their vehicle is not E10 compatible, others may be buying PULP simply because they are unsure whether their vehicle will be damaged by ethanol blended fuels. Any future ethanol policy must address this information gap. In Brisbane, PULP is 11cpl dearer than RULP.

E10-Compatible Vehicles

While the majority of petrol vehicles in the Australian fleet can use E10 fuel, a proportion cannot. As older vehicles are retired from the fleet, the proportion of vehicles that cannot use E10 will fall.

Research undertaken by the University of Queensland[2] in 2011, commissioned by the Biofuels Association of Australia and supported by RACQ, calculated that in 2015 15% of vehicles in Australia would not be E10 compatible. This was predicted to reduce to 7% by 2020. The table below displays the predicted percentage of E10-compatible petrol vehicles. This percentage data is a maximum estimate calculated from a table of absolute numbers of vehicles, presented in the UQ research, and includes vehicles designs to run on PULP.

Year	Percentage of E10 Compatible Vehicles	Percentage of E10 Non-compatible Vehicles
2009	69.8%	30.2%
2010	72.8%	27.2%
2011	75.7%	24.3%
2012	78.4%	21.6%
2013	80.9%	19.1%
2014	83.2%	16.8%
2015	85.3%	14.7%
2016	87.2%	12.8%
2017	89.0%	11.0%
2018	90.5%	9.5%
2019	91.9%	8.1%
2020	93.1%	6.9%

Benefits of Increased Ethanol Use

Ethanol blended petrol provides environmental benefits. Increased use will lead to improvements in urban air quality. However, other environmental benefits depend on the feedstock and production processes. There are likely to be limited benefits from ethanol production if the ethanol is produced from a feedstock that requires significant energy in processing or if the feedstock is a food source alternative. Evidence exists that using potential foodstuffs to produce ethanol increases the price of food, especially when ethanol is produced from grain. Ethanol produced from sugar cane juice or molasses appears to have greater environmental benefit and less impact on food prices.

New ethanol production processes have potential to improve the environmental benefits, for instance by using virgin sugar cane crops. The whole crop is processed by fermenting the raw

[2] Wilson A, Bolton N, Thomas S and Dargush P, (2011), *The E10 compatibility of the Australian fleet*, UQ SMART.

sugar cane to produce ethanol and burning the bagasse (the fibrous material that remains after the distilling process is completed) to produce the electricity required for production.

Ethanol production supports regional development by providing another revenue stream for farmers, processers and the wider regional economy.

Locally produced ethanol improves Australia's energy security by reducing dependency on imported oil and refined fuels. This is especially important considering the recent closure of the Shell and Caltex refineries in Sydney and the BP refinery in Brisbane.

Supporting Ethanol Production

Any move by the Queensland Government to support the ethanol industry through a mandate should avoid the problems caused by the NSW ethanol mandate.

Any mandate should be combined with an education campaign that provides information to motorists about the risks and benefits of ethanol. By providing quality information, motorists whose vehicles are able to use ethanol will be less likely to purchase the more expensive PULP.

Government policy should not limit choice for motorists or increase their fuel bills. Any "displacement" or removal of RULP pumps from a large number of retail outlets would produce exactly these outcomes, based on the NSW experience.

In light of regional development benefits of increased ethanol production, the potential air quality benefits and other possible environmental and energy security benefits, RACQ believes that a limited mandate would be acceptable. RACQ would support a target of 2% ethanol sales by volume in 2016, increasing to 3% in 2020 because these can be achieved without negative impacts for motorists. The NSW mandate is too high: it has increased the cost of motoring through higher fuel bills, while failing to sustain an increase in the use of E10.

The Queensland Government should consider supporting ethanol use through government procurement initiatives. The government should purchase E10-compatible vehicles for their fleet and encourage drivers to use E10 wherever it is available. The government should also investigate, research and develop opportunities to support regional ethanol production and advanced ethanol production methods.

In the long-term, the fuels that drive our vehicles could be dramatically different from those we use today. The government should not constrain options by trying to pick the winners with legislation that promotes any one fuel. Australia needs an integrated national fuel policy that promotes fuel security and encourages the uptake of affordable and sustainably produced fuels.

Conclusions

A national policy approach should consider ethanol in the context of all transport sector objectives, including fuel security, affordability and sustainability, as well as regional development and environmental impacts.

An ethanol mandate in Queensland would be successful in increasing the volume of ethanol sold. To minimise the negative consequences and increased costs for motorists it should be limited to 2% in 2016 and 3% by 2020.

Government support for the ethanol industry should encourage E10 consumption and support ethanol production, rather than removing the opportunity for motorists to purchase regular ULP.

Any mandate would require an education campaign about the benefits of using ethanol blended petrol as well as when it is inappropriate to use these fuels.

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