Project Manager – Queensland Biofuel Mandate
PO Box 15456
City East QLD 4002

2 July 2015

Dear Sir / Madam,

I write to you to make a submission on the Queensland Biofuel Mandate.

As a landholder and grain grower on the Jimbour Plain in the Darling Downs, I am very interested in the biofuel industry. I believe that the Dalby Bio Refinery is a crucial part of the local economy and there is tremendous scope for a thriving biofuels industry to help boost the economy of Queensland as well as moving to a cleaner, more environmentally friendly fuel source.

I refer to the summary of consultation questions and have commented where appropriate:

3. Is a two per cent Ethanol mandate appropriate?

No. Two per cent is an absolute minimum and is a soft target that should easily be met. Given that existing production facilities in Queensland can produce enough Ethanol to meet roughly a 4% mandate level as it stands, it is unlikely that any mandate at this level or below will result in any further investment in the industry. To actually stimulate investment a starting mandate of at least 4% (existing production capacity) or ideally 5% is required.

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

Yes the percentage should increase. The increase should be known well in advance for investment decisions to be made to ramp up production. If you start at 4% then every two years it should increase by a further 2% until a 10% mandate is reached. This will allow additional infrastructure to be constructed and industry to increase capacity to meet the mandate.

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

No the class of retailer is not appropriate. There would be ways for companies to circumvent the rules to have different entities owning service stations to circumvent the rules. The ultimate goal should be that all service stations must offer E10. Realistically the hurdles for this to occur is infrastructure. Many service stations would have the existing tanks to change some pumps from ULP to E10. There should be an assessment done on infrastructure at each service station by the government to deem whether it is possible to supply E10 or not. If it is possible then they must be liable under the mandate.

For the Service Stations without the necessary infrastructure, a 10 year window should be applied to enable them to either invest in additional infrastructure to offer E10, or transition their infrastructure from ULP to E10.

If it was done on a number count as suggested, then a much smaller number of service stations should be used like 3. Also all franchised service stations like BP, Shell, 7 Eleven, Caltex should have to offer E10, with only independent stations exempt. Also all new service stations should be required to be built to offer E10.

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

Yes. This should be a major priority to remove the myths surrounding E10 and to promote the take up of the cleaner fuel option. This is probably the most important priority in order to generate an increase in uptake of E10 use after the mandate itself.

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?

Yes, a 'floor' in grain prices as a result of a mandate will instil confidence in grain growers to pursue further production and invest further in on-farm assets in relation to grain production. Effectively it will add to demand for our produce which will give greater confidence that the crop will be sold at a better price and thus more production of grain will result.

From the supply side with grain growers, our choice of crops to be planted are greatly affected by the prices on offer and anticipated at the time of planting. For example last year our operation grew no chickpeas at all, however this year we have planted approximately 30% of our land to chickpeas in response to current high prices. If prices for feed grains like wheat, barley, corn and sorghum are more profitable compared to other cropping options, then the total supply response will be large. The typical farming operation normally re-invests these profits in machinery and on-farm assets to increase the production, efficiency and effectiveness of the crop growing operations.

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

None. There is none required.

The additional demand for Grain from the Ethanol industry will not distort the market for grain. This is because there are many other market forces that influence the price to a much greater degree than the demand from the Ethanol Industry.

There is remarkable agility in supply and demand responses from both grain growers and lot feeders. Lot feeders operate on varying rations according to prices for wheat, barley and sorghum, and their relevant requirement for protein. They can be quite flexible in this ration.

Presently much of Queensland is in drought, and recently there have been record numbers of cattle on feed in feedlots.
http://www.beefcentral.com/lotfeeding/december-feedlot-numbers-hit-record-but-fail-to-capture-more-recent-industry-trend/

However despite this, Sorghum is virtually non-existent in the current feedlot rations. Feedlots currently are predominantly using a ration of wheat and barley only. The reason for this is the high demand currently from China for Australian Sorghum. Record shipments of Sorghum have been and continue to be shipped to China this year for with an estimated 500,000T to 1,000,000T of Sorghum being exported. This price set from China makes Sorghum uneconomical in their rations, so they adjust accordingly using Wheat and Barley instead.

This clearly shows the feed demand from feedlots in a time of drought is being met by substitutes if there is such a large amount of Sorghum to export out of the country especially in a year of widespread drought in Queensland.

A key point in this is that instead of the Sorghum being exported it could be used in a local ethanol industry instead, with value added locally and the local economy supported in the process.

It should be noted that the total anticipated demand for Sorghum from Ethanol, even if there was a 10% mandate might simply displace a small percentage of some exports of Sorghum, Wheat or Barley instead. For wheat and Barley, instead of it being exported it might be substituted in rations locally in feedlots. For Sorghum, instead of it being exported to China or other destinations it might be used locally in the biofuel industry.

37. What regional centres could become hubs for bio-refinery investment / development in Queensland?

Dalby and Toowoomba are two ideally placed locations for additional bio-refinery investment. With the Toowoomba bypass being constructed and the Brisbane West Wellcamp airport now operating near Toowoomba, this area has great potential to become an inland port / transport hub. It is also close to the grain growing areas for Sorghum based Ethanol plants, ideally located for transport to other regions and the area is in drastic need of further investment given the mining downturn of late.

Conclusion

In the face of the mining industries slowing, growth decreasing and climate change, the Queensland Government has a great opportunity to create jobs, help communities, reduce pollution and support grain growers with this Biofuel mandate.

If you have any questions regarding this submission, please contact [redacted]

Yours Faithfully

Luke Von Pein
Business Manager – Pallathorpe Enterprises Pty Ltd