

Second Reading

The Hon. JOHN AJAKA (Parliamentary Secretary) [11.29 a.m.]: I move:
That this bill be now read a second time.

I seek leave to incorporate the second reading speech in *Hansard*.

Leave granted.

The Biofuels Amendment Bill will ensure that up to one million New South Wales consumers are not forced to unnecessarily pay more for fuel.

The Biofuels Amendment Bill makes modest but important changes that will ensure customers continue to have choice and that appropriate mechanisms are in place for a sustainable biofuels industry.

These minor amendments to the bill will remove the requirement, which was to have begun on 1 July 2012, for primary wholesalers selling regular unleaded petrol in New South Wales to ensure that it is E10.

The term "E10" is defined in the Act to mean a petrol-ethanol blend that contains between 9 per cent and 10 per cent ethanol by volume, being ethanol that complies with a biofuel sustainability standard.

Most new cars sold in New South Wales since the introduction of unleaded petrol in 1986 have been designed to be compatible with E10. However, approximately 100,000 vehicles made before 1986 are still on the roads. These vehicles require ethanol-free petrol.

Additionally, approximately 700,000 vehicles made between 1986 and about 2004 use regular unleaded petrol but have not been designed for E10.

Up to 90,000 motorcycles and 100,000 trailer boats also require ethanol-free petrol.

The owners of approximately one million vehicles, boats and small engines would therefore be required either to purchase premium petrol, costing 10¢ to 15¢ per litre more, or to use potentially damaging E10.

The requirement for all regular grade unleaded petrol would therefore mean higher fuel bills for approximately one million New South Wales consumers. This bill removes that unnecessary financial burden.

The New South Wales Government is working to achieve a secure, affordable and clean energy future. Investment in renewable energy will play a key part in this vision, encouraging regional development and creating jobs in New South Wales. Biofuels are an important part of this clean energy future and will support industry development in regional New South Wales.

The former Labor Government introduced the Biofuels Act 2007 and the Biofuel (Ethanol Content) Amendment Bill 2009, which set a mandated minimum ethanol content for total

petrol sales in New South Wales. The Biofuel (Ethanol Content) Amendment Bill 2009 set a timetable for all regular unleaded petrol in New South Wales to be converted to E10. This was due to take place on 1 July this year.

This bill will amend the Biofuels Act 2007 to remove the requirement for regular unleaded petrol to be E10. This will ensure motorists with vehicles that are not compatible with E10 will not be forced to run their vehicles on more expensive premium fuel.

The 6 per cent ethanol mandate will remain in place to further develop the ethanol industry in New South Wales, creating jobs that assist regional New South Wales. This mandate sets the amount of ethanol sales that primary petrol wholesalers need to meet out of the total volume of their New South Wales sales.

To be clear, the mandate is not intended to apply to premium fuels to further ensure consumers continue to have choice at the bowser.

Australia currently imports more than 82 per cent of its crude oil supplies. Given that political and economic instability in oil rich countries can have an immediate and adverse impact on the price of fuel in New South Wales, greater fuel self-sufficiency is important for New South Wales motorists.

The commitment to honour the former Government's scheduled increase provides certainty to industry and encourages regional development and job creation in New South Wales. The Biofuels Act has the support of both sides of this House.

A revised exemption framework is currently under review by the Government. To address concerns about the supply of ethanol, the New South Wales Government has asked the Independent Pricing and Regulatory Tribunal [IPART] to conduct an investigation and report on the available production capacity and supply required to meet the 6 per cent volumetric ethanol mandate.

The Act currently makes provision for the Minister to grant E10 exemptions that would permit marinas and small businesses facing hardship to continue to obtain and sell regular unleaded petrol.

In the case of marine users, engine failure at sea due to E10 could even be life threatening. However, most petrol-engined boats are trailer mounted and are refuelled at service stations not marinas. They would not benefit from the exemption for marinas. And besides small businesses, many other New South Wales service stations would be adversely impacted, particularly those in border regions. A complex regime of E10 exemptions would be required to try to ensure fair competition.

The Government is committed to supporting the development of an alternative transport fuels industry in this State. We recognise that fossil fuels are a finite resource and that Australia is increasingly reliant on oil imports. We need to grow our biofuels industry now to create a viable base from which to develop the advanced technologies and feedstocks that will provide alternative liquid transport fuels for future generations. The minimum volumetric requirements for 6 per cent ethanol in total petrol and 2 per cent biodiesel in total diesel fuel will therefore remain in place.

As I have said previously, these changes are minimal. The ethanol industry in this State currently comprises only one producer, but that one producer, the Manildra Group, is an

important regional employer, adds significant value to the grain produced by our farmers and is a major exporter.

A viable market for ethanol ensures that all of the value is extracted from every grain of wheat processed. Retention of the 6 per cent volumetric ethanol requirement will support continued production and jobs by Manildra and encourage other potential ethanol producers.

With just one local producer, there is insufficient production to support even the current 2 per cent volumetric biodiesel mandate, so we are reliant on imports from interstate and overseas. The Government therefore decided in December 2011 to suspend the scheduled increase in the biodiesel mandate from 2 per cent to 5 per cent. The development of local biodiesel production capacity will be monitored and the increase to 5 per cent will proceed when it is required to support that development.

In summary, this bill introduces an important change by removing the requirement for all regular grade unleaded petrol to be E10 from 1 July 2012. This change will ensure that regular unleaded petrol remains available throughout the State for the older vehicles, boats and small engines that need it.

It will avoid unnecessary increases in fuel costs for consumers. It will avoid a complex and potentially inequitable E10 exemption regime. As the former Premier of New South Wales, Morris Iemma, said in 2007, the ethanol mandate is "a win for the environment". We need to embrace biofuels in a sustainable way but acknowledge their contribution to reducing greenhouse emissions. I commend the bill to the House.