

GAS ENERGY AUSTRALIA

SUBMISSION

**GAS ENERGY AUSTRALIA
SUBMISSION RESPONDING TO
THE FEDERAL DEPARTMENT OF RESOURCES, ENERGY
AND TOURISM'S
PUBLIC DISCUSSION PAPER ON A
MANDATORY PETROLEUM DATA REPORTING REGIME**

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5 July 2013

Mr Stephen Woolcott

Manager – Petroleum Statistics Measure
Energy Security Branch
Department of Resources, Energy and Tourism
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Via email: Stephen.Woolcott@ret.gov.au and TransportFuels@ret.gov.au

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**GAS ENERGY AUSTRALIA SUBMISSION TO THE FEDERAL DEPARTMENT OF
RESOURCES, ENERGY AND TOURISM**

Public Discussion Paper on a Mandatory Petroleum Data Reporting Regime

Reference: A. Gas Energy Australia – Submission to the Draft Energy White Paper dated 16 March 2012

Dear Mr Woolcott

Gas Energy Australia is pleased to make a submission responding to the Department of Resources, Energy and Tourism's Public Discussion Paper on a Mandatory Petroleum Data Reporting Regime, dated May 2013.

This submission reiterates the Association's support for mandatory petroleum data reporting which it indicated in its submission responding to the Government's Draft Energy White Paper (DEWP) at Reference A. That submission also agreed with the DEWP's conclusion that the quality and coverage of the collection and publication of monthly national and state petroleum data should be improved.

This submission also highlights that gas powered vehicles can make a significant and cost effective contribution to improving Australia's energy security, provides comments on the Public Discussion Paper's proposed Mandatory Petroleum Data Reporting Regime and responds to the questions posed in the Discussion Paper.

1. Background

Gas Energy Australia, until recently LPG Australia, is the national peak body which represents the bulk of the downstream alternative gaseous fuels industry which covers Liquefied Petroleum Gas (LPG), Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG). The industry comprises major companies and small to medium businesses in the alternative gaseous fuels supply chain; refiners, fuel marketers, equipment manufacturers, LPG vehicle converters, consultants and other providers of services to the industry.

LPG is the most widely used alternative gaseous transport fuel in Australia and is used mainly in light vehicles. While not as well established as LPG, on the back of recent substantial infrastructure investments, the use of LNG and CNG has the potential to expand in a variety of domestic transport applications, particularly powering light commercial vehicles, heavy trucks and buses.

The members and associates of Gas Energy Australia value accurate and comprehensive industry data. In 2009, the Association commissioned ACIL Tasman (now ACIL Allen Consulting) to prepare an annual study of the supply and demand for LPG using a methodology that addressed concerns about the consistency and coverage of past studies. A suitable methodology was developed and has been used to compile supply and demand studies for the years 2008 to 2012.

The 2012 Gas Energy Australia LPG Supply and Demand Study reports on LPG produced and consumed in the Australian autogas and stationary energy (or traditional) markets in 2012. The Study covers LPG trade, sources of supply, including producers and marketers, and demand on a national and state by state basis. It is backed up by a comprehensive range of tables and data analysis, and includes data from 2008 onwards for comparison purposes.

2. Gaseous transport fuels and energy security

Gas Energy Australia notes that when Australia joined the International Energy Agency (IEA) in 1974 to bolster our energy security through concerted action, including information sharing, with other Western nations in response to the disruptions to Middle East oil supplies at the time, there were few alternatives to oil as a transport fuel. Today, the use of alternative fuels, including alternative gaseous fuels, represents another way to preserve energy security in response to disruptions to oil supplies.

The 2011 National Energy Security Assessment (NESA), the 2012 Strategic Framework for Alternative Transport Fuels (SFATF) and the 2012 Energy White Paper (EWP) acknowledged that it is prudent to maintain a diverse energy supply and encourage the development of commercially viable alternative liquid fuels and technologies.

The 2011 NESA also concluded that diversity of supply, including access to alternative fuels, helped Australia maintain its liquid fuel security in the face of a spate of unhelpful events, including a return to high global oil prices, the political crisis in Libya, as well as oil spills and natural disasters.

Not only is Australia completely self-sufficient in LPG but it is also a net exporter of LPG. In 2012, Australia produced 2,415 kilotonnes of LPG, satisfying a local demand of 1,710 kilotonnes with net exports of 803 kilotonnes. Gas Energy Australia acknowledges the findings of the 2011 NESA that self-sufficiency or adequacy alone does not guarantee energy security. Nevertheless, the Association wishes to highlight the fact that Australia's LPG industry has the infrastructure and product affordability to also make a significant contribution to Australia's energy security in term of reliability and competitiveness. This infrastructure is extensive and includes seven natural gas processing plants, nine coastal terminals, 170 regional depots, 1,000 local small business distributors and over 3,700 Autogas refueling stations across Australia.

Australia also possesses vast natural gas reserves which the Federal Government, in its 2012 EWP, estimated to be equivalent to 184 years of supply at current production rates. The contribution of these reserves to Australia's liquid fuel security as a substitute for petrol and diesel will increase in line with the progressive roll-out of refueling infrastructure.

3. Comments on the proposed Mandatory Petroleum Data Reporting Regime

Gas Energy Australia considers that a useful starting point in designing a petroleum data reporting regime is to decide on and spell out what is the over-riding objective of petroleum data collection. At present, the Public Discussion Paper notes that:

“Key Australian Government uses of Australia's petroleum data include:

- meeting International Energy Agency (IEA) membership commitments including monthly reporting of oil stockholding levels
- informing and supporting the Minister for Resources and Energy's decisions to activate the *Liquid Fuel Emergency Act 1984* (LFE Act) and subsequent use of powers
- assessing Australia's liquid fuels energy security position
- liquid fuels and related policy development.”

In Gas Energy Australia's view, petroleum data collection should inform assessments of Australia's liquid fuel security to contribute to the over-riding objective of improving Australia's energy security. Once a clear over-riding objective is established, determining such things as data coverage become more straightforward. For example, the Mandatory Reporting Regime's data coverage should be sufficiently broad to pick up all sources of supply, including alternative fuels, which affect Australia's liquid fuel security.

Gas Energy Australia welcomes the Discussion Paper's proposed inclusion of LPG in the Mandatory Reporting Regime. But it notes that while some other alternative fuels e.g., (non-petroleum based) biofuels are intended to be covered by the Regime, others e.g., (petroleum based) LNG and CNG are not. Gas Energy Australia considers that if the Regime's data coverage was sufficiently broad to pick up all sources of supply and not exclude sources that do not meet some of the specific objectives or uses identified in the paper (e.g., monthly reporting of oil stockholding levels to the IEA), its ability to inform assessments of Australia's liquid fuel security would be enhanced.

Gas Energy Australia does, however, acknowledge the Paper's position that natural gas data collection issues will be taken into account when designing the Mandatory Reporting Regime data collection process to potentially minimise future reporting burdens. Gas Energy Australia notes that on the back of recent and planned investments, including building refuelling infrastructure along the Hume Highway, LNG and CNG transport use in Australia has the potential to significantly grow and displace diesel consumption. This trend is more advanced in the US and the US Energy Information Agency's reports, which are referred to in the Discussion Paper, include LNG and CNG used in transport.

In addition, I would like to restate Gas Energy Australia's longstanding position that Australian LPG production statistics be included with natural gas rather than oil since almost 80 per cent of the LPG produced in Australia is sourced from natural gas fields and this proportion is expected to rise over the next few years as a result of local refinery closures and a number of major natural gas developments coming on stream.

4. Responses to Public Discussion Paper Questions

Gas Energy Australia offers the following responses to the questions posed in the Department's Public Discussion Paper.

1. Does your business currently provide petroleum related information to the Australian Government and does this include voluntarily reporting to the Australian Petroleum Statistics (APS)?

All Gas Energy Australia member fuel suppliers currently provide LPG related information to the Australian Taxation Office, Customs and the Clean Energy Regulator. But not all voluntarily report LPG related information to the APS and none voluntarily report LNG related information to the APS.

2. Has your business developed a data system to facilitate providing petroleum related information to the Australian Government?

Some Gas Energy Australia member fuel suppliers have modified their internal administrative systems to provide the information required by various government agencies. Some Gas Energy Australia member fuel suppliers' internal administrative systems measure stock where they have legal title which includes stock on ships, storage at their terminals and storage at a small number of customer sites (eg, metered sites).

3. Are the APS data categories in Table A of Appendix 1 similar to those you use in a system not used for voluntary APS purposes? If not, do you consider that you could extract the information for Appendix 1 from your existing data system?

Gas Energy Australia member fuel suppliers' current internal administrative systems do not provide the level of detail corresponding to Appendix 1 of the Public Discussion Paper. In general, these systems do not report Autogas by type of LPG (eg, propane or propane/butane mix) or type of customer (eg, wholesale or retail). Some but not all sales of LPG are reported as LPG Autogas, residential, forklift, commercial and industrial, and aerosol with identification of authorised distributors.

In summary, it would be very difficult and in some cases impossible for Gas Energy Australia member fuel suppliers to upgrade their internal administrative systems to provide the level of detail corresponding to Appendix 1.

4. What are the appropriate entry boundary, exit boundary and key intermediary points for measuring and reporting petroleum in the Australian supply chain?

Gas Energy Australia notes that the appropriate points for measuring and reporting petroleum depends on the reporting objective.

- a. If the objective is to determine the amount of petroleum imported into Australia, the appropriate entry boundary would be at the point of arriving at an import or inland terminal. If the objective is to determine the amount of petroleum used within Australia, the appropriate exit boundary would be the sales made to end users. If the objective is to determine the amount of petroleum that was exported, the appropriate exit boundary would be at the point of departing a terminal. If the objective is to determine the petroleum stock level at a particular point in time within Australia, then the appropriate measuring point would be based on a standard date (cut-off) and

reported by major petroleum holders.

Gas Energy Australia suggests that measurement points should be based on existing structures as much as possible, such as the excise system or stock measurement according to the determination of legal title, to reduce the cost to industry of setting up new tracking procedures. .

- b. The difference between the excise system and stock calculation is the stock calculation includes LPG on ships and LPG stored in tanks where the customer is billed via a meter.

5. Who should be responsible for reporting petroleum data (eg, petroleum producers, owner of petroleum stocks, storage facilities, distributors) and should there be any exemptions?

Gas Energy Australia considers that in general reporting of petroleum data should be the responsibility of petroleum producers, petroleum importers, and petroleum exporters, owners of petroleum stocks, storage facilities, and distributors that have legal title to the petroleum but not end-use customers. It might be useful to have exemptions to permit delegation of the reporting from the owner to the transport distributor and to cover authorised distributors that do not own a large (greater than 7,500 litres) LPG tank used to fill their own cylinders.

6. Do you consider that a reporting template (which could be specific to each part of the petroleum supply chain) would be helpful? Should the template include information regarding data validation?

Gas Energy Australia notes that a reporting template is important for standardisation and consistency. Gas Energy Australia also notes that depending on the frequency required, the type of data validation would be different (ie, externally validated versus internally validated). That said, Gas Energy Australia's preference is that its members report stock and sales each month using existing reporting templates and the Australian Government develops a means to consolidate the information.

7. What approach should the Mandatory Reporting Regime take in respect to confidentiality?

Gas Energy Australia is strongly of the view that all sales and stock information should remain confidential and that there should be no public reporting of data that would reveal the statistics of individual reporting companies, either directly or by deduction.

8. Are you in favour of publishing aggregated petroleum data, similar to the current APS publication if individual business information cannot be identified?

Gas Energy Australia supports publishing aggregated petroleum data, similar to the current APS publication, provided individual business information cannot be identified as indicated in our response to question 7. Gas Energy Australia notes that it is important not to double count company to company sales (eg, if firm A sells to firm B which then sells to end-user firm C - either firm A or firm B's sales should be counted, not both).

9. What is a reasonable timeframe (e.g. +7 days) to require the reporting of end of month data?

If the reporting and validation requirements are not particularly onerous, Gas Energy Australia considers 14 days after the end of the month to be a reasonable reporting timeframe.

5. Conclusion

Gas Energy Australia supports mandatory petroleum data reporting and considers implementation of the Mandatory Reporting Regime outlined in the Department's Public Discussion Paper would contribute to the over-riding objective of improving Australia's energy security. That said, Gas Energy Australia considers this contribution would be significantly enhanced if the Regime included LNG and CNG used in transport in the same way the US Energy Information Agency's reports do.

In addition, Gas Energy Australia considers it very important that the Regime's reporting and validation requirements do not apply to end-use customers as well as minimise industry compliance costs by utilising existing administrative systems and structures that deliver reports to government as much as possible and not imposing unreasonable reporting timeframes. Gas Energy Australia also considers it critically important that the Regime does not result in the public disclosure of confidential company information.

6. Recommendations

Gas Energy Australia requests that the Department of Resources, Energy and Tourism, when advising the Government on its preferred implementation option for a Mandatory Petroleum Data Reporting Regime in Australia, takes into account the following recommendations - that:

- a. the Department acknowledges that gas powered vehicles can make a significant and cost effective contribution to improving Australia's energy security;
- b. the Mandatory Reporting Regime should include LNG and CNG used in transport;
- c. Australian LPG production statistics should be included with natural gas rather than oil;
- d. the Regime's reporting and validation requirements should not apply to end-use customers;
- e. the Regime's reporting and validation requirements should minimise industry compliance costs by utilising existing administrative systems and structures that deliver reports to government as much as possible;
- f. the reporting timeframe should be 14 days after the end of the month provided the Regime's reporting and validation requirements are not particularly onerous; and
- g. the Regime should not result in the public disclosure of confidential company information.

For your consideration.

Yours sincerely

A handwritten signature in black ink, appearing to read "Michael Carmody".

Michael Carmody
Director and Chief Executive Officer

Distribution: Department of Resources, Energy and Tourism

For Information:

Members – Advisory Council Working Group – Policy – Mandatory Petroleum Data Reporting
Subcommittee
Gas Energy Australia Technical Committee Chairpersons
Gas Energy Australia State Representatives
Gas Energy Australia Secretariat