

RACT FUEL POLICY



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RACT POLICY – FUEL

Organisation	RACT
Business Unit	Road and Traffic Committee

Version	Author	Description	Date Revised	Review Date
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MOBILITY STRATEGY PILLAR: SUSTAINABILITY

Sustainability is the third component of RACT's mobility strategy. Within this pillar, one of RACT's vision statements is to reduce fuel emissions through the use of affordable and clean energy.

1) FUEL POLICY STATEMENT

1.1 Fuel Explained

- Fuel is a complex issue and within this policy it will be considered as having three defined areas of focus, including emissions, quality and price.

1.2 Purpose of this Policy

- The intent of this policy is to establish RACT's public position on fuel emissions, fuel quality and fuel prices.
- This is part of RACT's aim to develop a comprehensive focus on future, more sustainable transport and will inform how RACT advocates for better fuel emissions, quality and price.

1.3 Relevance to RACT

- RACT is committed to ensuring Tasmania's future transport options provide better environmental and health wellbeing outcomes for the community.
- As more strict environmental standards continue to be implemented across the world, RACT will represent Tasmanian motorists through a policy that addresses more sustainable transport.

2) BACKGROUND, EVIDENCE AND POSITION

2.1 Background

Fuel Emissions

- RACT understands that vehicle emissions are harmful to human health - in terms of respiratory problems faced in crowded urban centres. Environmentally, emissions place stress on parks and gardens, trees, urban wildlife and pets.
- The Federal Government is aiming to reduce greenhouse gas emissions as part of climate change commitments within the 2015 Paris Agreement, including carbon dioxide (Department of Environment and Energy, 2016).
- In order to meet the 2030 emissions reduction target, the Australian Government is aiming to deliver low cost emissions reductions and other co-benefits, including measures to improve light vehicle efficiency (Department of Environment and Energy, 2016).

- Since 1992, Europe has also introduced six standards that stipulate the maximum amount of pollutant emissions from a vehicle (International Council of Clean Transportation, 2016).
- Euro 6 was implemented in Europe in 2015 and aimed to reduce four main emission groups known as noxious emissions, including: carbon monoxide, hydrocarbons, nitrogen oxides and particulate matter (International Council of Clean Transportation, 2016).
- Noxious emissions impact on the quality of the air we breathe, leading to harmful health effects such as respiratory illness, cardiovascular disease and cancer (Department of Environment and Energy, 2018).
- The Australian Government has committed to Euro 5 standards but is aiming to further reduce noxious exhaust emissions in petrol and diesel cars through Euro 6, which was introduced in Europe in 2015, through better quality fuel (Federal Chamber of Automotive Industries, 2017).
- In Europe, the European Commission has also implemented various forms of legislation to reduce carbon dioxide emissions through more fuel efficient vehicles (European Commission, 2018).
- Improved vehicle fuel economy in European standard vehicles directly reduces carbon dioxide output – a greenhouse gas emission. Critical to Australia meeting Euro 6 pollutant emission standards and proposed 2030 carbon targets are better quality fuels and more efficient vehicles, respectively (Federal Chamber of Automotive Industries, 2017).

Fuel Quality

- Europe's fuel quality standards are based on sulphur content, which is a natural component of crude oil found in refined fuel that impacts the environment and human health (Department of Environment and Energy, 2016).
- The Australian Government has mandated Euro 5 emission standards, but not the associated fuel quality standards for petrol, being 10 parts per million (ppm) of sulphur for 95 octane fuel. This standard is unchanged for Euro 6 regulations (Federal Chamber of Automotive Industries, 2017).
- The benefit of low sulphur fuel is the introduction of more advanced, low emission cars in Australia, which perform better on premium fuels. The use of these vehicles would also create environmental and health benefits (Department of Environment and Energy, 2018).
- Furthermore, there are concerns from manufacturers that Euro 6 standard vehicles may not perform as efficiently while using higher sulphur fuels, which wouldn't deliver these community benefits (Department of Environment and Energy, 2018).
- RACT understands the drawback here is the costs that motorists face in purchasing modern vehicles that meet new Euro 6 standards, particularly in Tasmania where the average vehicle fleet age is 12 years.
- In January 2018, the Ministerial Forum on Vehicle Emissions released a draft regulation impact statement proposing improvements to fuel standards under the Fuel Quality Standards Act (Department of Environment and Energy, 2018).
 - The report revealed the Australian Government is considering phasing out 91 octane fuel, reducing sulphur in premium unleaded fuels to 10ppm.

- Other options being considered is the reduction of sulphur in 91 octane fuel and changes to broaden the scope of the diesel standard.
- These options are being considered between 2022, 2025 and 2027.

Fuel Prices

- Approximately 75% of Australia's crude oil supply is imported from overseas countries, including Malaysia and countries in the United Arab Emirates, as well as Indonesia, Gabon and New Zealand, before being refined locally (Department of Environment and Energy, 2017).
- Approximately 55% of refined fuel, such as petrol and diesel, is also sourced overseas, including from South Korea, Singapore, Japan, Malaysia and China (Department of Environment and Energy, 2017).
- Fuel costs in Australia fluctuate due to the international benchmark price, which are set by Singapore Mogas for petrol, Singapore Gasoil for diesel and Saudi Arabia prices for LPG (ACCC, 2018).
- Benchmark prices for petrol, diesel and LPG are priced in US dollars, meaning the value of the Australian dollar relative to the US dollar may affect the domestic price of fuel (ACCC, 2018).
- Fuel wholesalers and retailers can also raise prices due to costs, including wharfage, freight, insurance, transport, storage, salaries, rent, power and other utilities (ACCC, 2018).
- All retail fuel prices in Australia include GST at the rate of 10% as part of the Australian Government's fuel excise, which was re-introduced in July, 2015 and is indexed in February and August each year (ACCC, 2018).

2.2 Evidence

Fuel Emissions

- There are just over 19 million registered motor vehicles in Australia, with 74% using unleaded fuel and 23% using diesel. Passenger vehicles also make up 74% of Australia's fleet (ABS, 2018).
- The transport sector currently accounts for approximately 17% of Australia's emissions, with light vehicles making up approximately 10% of Australia's total emissions (Department of Environment and Energy, 2016).
- Tasmania's transport sector has the highest greenhouse gas emissions of all sectors in the state's economy (Tasmanian Climate Change Office, 2018).
- The Federal Government is aiming to reduce greenhouse gas emissions to up to 28% on 2005 levels by 2030 as part of climate change commitments within the 2015 Paris Agreement (Department of Environment and Energy, 2016).
- The Federal Government's Ministerial Forum on Vehicle Emissions is considering the reduction of carbon dioxide emissions from new fuel efficient light vehicles to 105g/km in 2025 (Department of Infrastructure and Regional Development, 2016). This is almost half the current level of 181g/km and a reduction from 192g/km in 2013 (National Transport Commission, 2017).
- The proposed carbon dioxide standards are projected to avoid 65 million tonnes of greenhouse gas emissions by 2030 (Department of Infrastructure and Regional Development, 2016).

- The key difference from Euro 5 to Euro 6 is a 55% reduction in the emission limits for noxious emissions for light diesel vehicles, a particle number limit to reduce fine particle emissions from light petrol vehicles and better requirements for the performance of emission control systems (Department of Infrastructure and Regional Development, 2016).
- The average emissions level of a new car sold in Europe in 2017 was 118.5g/km, well below the 2015 target of 130g (European Commission, 2018).
- By 2021, the European Commission is aiming for a fleet average of 95g of carbon dioxide per kilometre to be achieved by all new cars (European Commission, 2018).

Fuel Quality

- Unleaded fuel is used by 74% of Australian motorists (ABS, 2018).
- Australian standards dictate that 91 octane fuel can carry up to 150 parts per million of sulphur, with a 50ppm cap on premium 95 and 98 octane fuels. Diesel sold in Australia can have no more than 10ppm. Sulphur is a natural component of crude oil present in refined fuel. (Department of Environment and Energy, 2018).
- Australia's fuel quality standards ranks at the bottom of the 35 countries in the Organisation for Economic Co-operation and Development (OECD, 2017).
- Australia is also 70th in the world's top 100 sulphur standard rankings. Germany, Japan, Austria, Denmark and Sweden are the top ranked nations with 10ppm of sulphur and a minimum fuel octane rating at 95. Sulphur content standards for 91 octane fuel in Australia rank lower than Iraq and Algeria, which have standards of 100ppm fuel. (Stratas Advisors, 2017).
- However, in 2015 RACT commissioned fuel testing of 91 octane fuel shipped from Korea to Bell Bay near George Town. It found sulphur levels were far lower than these standards, with the recorded content being 19-21ppm.
- Furthermore, studies have shown that Australian fuel quality has substantially lower sulphur levels than the maximum standard. In 2014-15 average levels in Sydney for 91 octane fuel were 28 ppm, with 95 octane tested to be 16 ppm. In Melbourne 91 octane was 60ppm and 95 octane was 28ppm (Australian Institute of Petroleum, 2017).

Fuel Prices

- The Australian Automobile Association Transport Affordability Index has consistently found that Hobart is one of Australia's most expensive capital cities relating to fuel prices, with drivers spending around \$80 per week.
- The index has also consistently found that Launceston is one of most expensive regional cities in Australia for fuel, with drivers spending around \$90 per week.
- Launceston motorists pay on average 12 cents per litre more for petrol than motorists in Sydney, Melbourne, Brisbane, Adelaide and Perth (ACCC Launceston Petrol Market Report, 2016).

2.3 Position

Fuel Emissions

RACT

- Supports emissions reduction measures that consider carbon and pollutant emissions, fuel quality and adoption of low and zero emission vehicles.
- Encourages the widespread introduction of the latest, low emission and fuel efficient vehicles in Tasmania.
- Supports the Australian Automobile Association's position to regulate vehicle emissions by independently assessing all vehicles on Australian roads.
- Supports the notion for Australia's vehicle emissions standards to be regularly benchmarked against comparable countries.
- Urges all levels of Government in Tasmania to integrate low and zero emission vehicles in fleets and educate employees on low emission driving.
- Will work with national Auto Clubs and the Federal Government to agree to, implement and incentivise a reduction in fuel emissions through Euro 6 standards and Australia's arrangements under the Paris Agreement.
- Urges the State Government to support measures to reduce vehicle related pollution in Tasmania.
- Will contribute to fuel emission reduction through clean energy and newer vehicles by gradually upgrading the RACT fleet of vehicles.
- Will educate Tasmanians on the practice and benefits of low fuel use driving and undertake member programs to support the sharing economy and new vehicle ownership models.

Fuel Quality

RACT

- Will work with Australian fuel companies, national auto clubs and all levels of government on the implementation of Euro 6 standards relating to improved fuel quality.
- Encourages academic researchers, all levels of government and Australian fuel companies to conduct research on sulphur content in order to implement changes to fuel quality in Australia.
- Urges Australian fuel companies to produce better quality fuel.
- Encourages motor vehicle manufacturers to continue to invest in low carbon and cleaner automotive technologies relating to fuel type.

Fuel Prices

RACT

- Urges all levels of Government to actively promote an increase in competition by attracting more independent wholesalers to the state.
- Supports the collection of fuel prices at the bowser which should be made publically available to the motoring public in real time.
- Urges all levels of government to monitor metropolitan and country retail and wholesale fuel prices in order to address any unjustifiable and excessive differences.

- Encourages the Australian Competition and Consumer Commission to enforce consumer protection in the retail fuel market.
- Supports the abolition of the Federal Government's fuel excise for all motorists and its replacement with a user-pays based road user charge, which covers all road users equitably across social, crash, environmental and road maintenance costs.
- Supports an increased percentage of motoring related taxes to be spent on road infrastructure capital works.
- Supports a transparent terminal gate pricing system for all fuels, as well as a centralised real-time fuel price information service.

3) SCOPE

3.1 Policy Application and Ownership

This policy applies to:

- Tasmanian motorists
- Fuel wholesalers, companies and retailers
- Australian Government ministers
- Tasmanian Government ministers
- The Tasmanian Climate Change Office
- Local government
- The Australian Automobile Association
- State and territory auto clubs

The ownership and responsibility of this policy is with the RACT Board.

4) APPROVALS

4.1 Date of approval: [insert date]

4.2 Date of review: [insert date]

4.3 Signature of CEO: [insert signature]