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It's time to retake stock of our fuel security

Josh Frydenberg



As the world's eighth largest energy producer, Australia's fuel supplies have proven to be remarkably reliable and resilient over the past four decades. The last significant disruption was in the 1970s with the OPEC oil crisis. But, since then, much has changed, requiring a reassessment of Australia's liquid fuel security.

Liquid fuel includes petrol, diesel and jet fuel and accounts for 37 per cent of Australia's energy use and 98 per cent of our transport needs.

The federal government will do a review to examine how fuel is supplied and used in Australia and our ability to withstand significant disruptions to the supply chain. The findings will form part of a more comprehensive national energy security assessment in 2019.

In the past 10 years, three of Australia's seven refineries have closed and our production of liquid fuels has declined by a third. As a result, Australia's reliance on imported fuel has increased.

Today, we import 75 per cent of our crude and 55 per cent of our refined product. On any one day, there are up to 45 oil tankers en

route to Australia, with more than 20 days' worth of supplies.

As our domestic production levels and refining capacity have reduced, so too has the level of our domestic oil holdings. Yet, as a member of the International Energy Agency, Australia is required to hold the equivalent of 90 days of the previous year's average daily net oil imports, the rationale being that, in the event of a major disruption of the global fuel supply chain, members' stocks should not only be sufficient for domestic use, but also contribute to a collective effort to plug gaps in global supply. Such action has been triggered only three times, including in 2011 with the turmoil in Libya.

Australia has been non-compliant with this requirement since 2012. The government has announced our intention to get back to full compliance by 2026 and that is why we enacted a mandatory reporting scheme for the production, refining, consumption and stock levels of fuel, with the passage of the Petroleum and Other Fuels Reporting Act 2017.

It is also why we established in the budget two years ago the Energy Security Office and allocated \$23 million for new ticketing arrangements that enable Australia to enter into supply arrangements with other countries, including the United States and Britain.

While Australia's plan to return to compliance has been "commended" by the IEA, it has highlighted Australia's vulnerability

to "unexpected changes in Asian regional demand patterns and to any disruptions to the main supplies from the Middle East".

With the supply-and-demand dynamics of global energy markets changing rapidly and nearly a decade since the last national energy security assessment, the time is right to relook at and rethink Australia's fuel security. There is no room for complacency and this review, which will bring together key stakeholders, will detail the steps necessary to ensure Australia continues to enjoy an affordable and reliable fuel supply.

Josh Frydenberg is Minister for the Environment and Energy.