

Petroleum and Other Fuels Reporting Act 2017 Independent Review

Prepared for the Department of Climate
Change, Energy, the Environment and Water

5 May 2023

Release notice

Ernst & Young ("EY") was engaged on the instructions of the Australian Government Department of Climate Change, Energy, the Environment and Water (DCCEEW) ("Client") to perform a review of the Petroleum and Other Fuels Reporting Act/Rules 2017 in accordance with the Work Order under the Energy Business and Technical Services Panel (CON005289), dated 17 May 2022, including the General Terms and Conditions ("the Engagement Agreement").

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Table of Acronyms

| Abbreviation | Explanation |
|--------------|---|
| ABS | Australian Bureau of Statistics |
| ACCC | Australian Competition and Consumer Commission |
| ACL | Australian Consumer Law |
| POFR Act | <i>Petroleum and Other Fuels Reporting Act 2017</i> |
| AEMC | Australian Energy Market Commission |
| APS | Australian Petroleum Statistics |
| DCCEEW | Department of Climate Change, Energy, the Environment and Water |
| DEF | Diesel Exhaust Fluid |
| GLOWS | Greases, lubricants, base oils, waxes and solvents |
| IEA | International Energy Agency |
| NGER | National Greenhouse and Energy Reporting |
| NOPTA | National Offshore Petroleum Titles Administrator |
| SAF | Sustainable Aviation Fuel |
| SWG | Supplier Working Group |
| TGU | Technical Grade Urea |

Executive Summary

EY was engaged by the Australian Government Department of Climate Change, Energy, the Environment and Water (the department)¹ to conduct a review of the *Petroleum and Other Fuels Reporting Act 2017* (POFR Act) and the accompanying Petroleum and Other Fuels Reporting Rules 2017 (POFR Rules). The POFR Act sets out a mandatory regime for reporting fuel and fuel-related products, and the POFR Rules expand on the detail required for covered activities and covered products.

Since its introduction, the POFR Act and Rules have not been subject to an independent review. Section 40 of the POFR Act states that an independent review must be conducted and consider the definitions of fuel information, covered product and covered activity. This review fulfils the requirements of section 40 and considers a range of other matters in scope to evaluate the performance of the POFR Act and Rules. The effectiveness of the Act is measured against its policy objectives, which include:

- to assist the Commonwealth to monitor fuel security to aid the Commonwealth to develop policy relating to the prevention of, or preparation for, fuel supply disruptions or potential disruptions;
- to assist the Commonwealth to give effect to Australia's obligations under the Agreement on an International Energy Program Treaty, or under any other international agreement to which Australia is a party relating to:
 - i. international energy security; or
 - ii. the reporting of data relating to petroleum, other fuels or fuel-related products;
- to facilitate the publication of information relating to Australia's petroleum and other fuel markets.
- to support the implementation of the *Fuel Security Act 2021*

In analysing the benefits of the POFR Act, the rapidly changing global and domestic context for petroleum activities and fuel security has been considered. This underscores the importance of the Australian Petroleum Statistics to provide timely and accurate information around fuel supply and demand. In addition, with changes to the composition of the liquid fuels market and the introduction of new products, expanding the scope of covered products may provide more value for market participants.

This independent review of the POFR Act and Rules is centred around assessment of a) whether it meets the underlying policy objectives and b) whether any changes to improve its functioning would deliver benefits that outweigh costs. To determine the scope of review, consideration was given primarily to fulfilling the statutory requirements of the POFR Act, which explicitly state areas of analysis for key definitions. In addition to the overarching assessment of the Act, the scope of review extends to consider the effectiveness of data submission timeframes and the possibility to establish new covered products. For certain covered activities, the application of mandatory and voluntary reporting requirements were also evaluated.

To gather information for qualitative analysis of topics within scope, the review conducted a wide-ranging stakeholder consultation as its primary source of information on how the POFR Act was functioning. Stakeholders were selected based on advice from the department, and were asked a range of questions relating to the effectiveness of the Act for their purposes, with additional opportunities to raise any other general concerns that could be addressed through legislative

¹ This review was conducted in conjunction with the review of the Fuel Quality Standards Act 2000 and the Competition and Consumer (Industry Codes – Oil) Regulations 2017 (Oil Code).

amendment². Table 1 below provides a list of agencies and industry groups that were consulted, while Table 2 below provides a list of issues that were discussed with respondents.

Table 1: List of stakeholders

| Stakeholder Type | Organisations |
|-----------------------------------|--|
| Federal Government Agency | <ul style="list-style-type: none"> • Department of Climate Change, Energy, the Environment and Water • Department of Infrastructure, Transport, Regional Development, Communications and the Arts – Civil Aviation Safety Authority |
| State/Territory Government Agency | <ul style="list-style-type: none"> • Northern Territory Environment Protection Authority • South Australia Environment Protection Authority • Victoria Environment Protection Authority • Western Australia Environmental Protection Authority |
| Industry Body | <ul style="list-style-type: none"> • Australasian Convenience and Petroleum Marketers Association • Australian Automobile Association • Federal Chambers of Automotive Industries • Truck Industry Council • Motorsport Australia • Australia National Drag Racing Association • Australian Institute of Petroleum • Bioenergy Australia • Australian Hydrogen Council • Minerals Council of Australia |
| Company | <ul style="list-style-type: none"> • Ampol • BP |

Table 2: Topics covered during consultation

| Topic Area | Sub-Topics |
|-------------------------------------|--|
| Statutory Requirement of the review | <ul style="list-style-type: none"> • Fuel information • Covered products |

² Stakeholders were advised that their responses will not be individually identifiable, but will feed into the findings of the report, which will be made public.

| | |
|----------------------|---|
| | <ul style="list-style-type: none"> Covered activities |
| Diesel Exhaust Fluid | <ul style="list-style-type: none"> Assessing reporting requirements for diesel exhaust fluid (DEF) and technical grade urea (TGU) |
| Final Use Data | <ul style="list-style-type: none"> Supply chain reporting |
| Other Topics | <ul style="list-style-type: none"> Sustainable aviation fuel (SAF) Natural gas Sales to retail Reporting frequency and timing |

Findings and recommendations

While quantitative data is usually the preferred method of assessment for policy analysis, in this instance it was not possible due to insufficient data that could be used to effectively assess the POFR Act against its policy objectives. Instead, this review relied heavily on qualitative analysis of information provided by stakeholders during consultation. This analysis included a clear discussion and explanation of the process for arriving at the review's findings and recommendations.

The review concludes that the POFR Act is relevant and fit for purpose in achieving its policy objectives. It has been successfully administered by regulators and provides benefits to government, industry and the community. A range of findings and recommendations have been made to suggest improvements to the Act, which are included in Table 3.

Table 3: Review findings and recommendations

| Topic | Finding/Recommendation |
|--|---|
| 1. Statutory Review Topic – | <p>Finding: On the basis of feedback from government and industry, and through the policy analysis, the definition of fuel information is appropriate and meets the stated objectives of the POFR Act.</p> <p>Recommendation: No legislative changes are required for the definition of fuel information.</p> |
| 2. Statutory Review Topic – Covered activities | <p>Finding: The definition of covered activities is appropriate, apart from the current method of sales to retail being reported voluntarily (see Part 6.3).</p> <p>Recommendation: No legislative changes are required for the definition of covered activities, apart from the conversion of sales to retail reporting from voluntary to mandatory.</p> |

| | |
|---|--|
| <p>3. Statutory Review Topic – Covered products</p> | <p>Finding: The definition of covered products is appropriate, however the scope of covered products could be extended to include DEF and TGU.</p> <p>Recommendation: The scope of covered products is sufficient, however broadening the POFR Act to include DEF and TGU will help the POFR Act in achieving its objectives (see Part 4). Additionally, a change to the reporting requirements for SAF is recommended and is detailed in the recommendation for Part 6.1.</p> |
| <p>4. Diesel Exhaust Fluid (DEF)</p> | <p>Finding: DEF is a critical product that indirectly contributes towards fuel security. Because heavy vehicles and truck fleets rely on DEF, shortages are likely to affect a range of industries including logistics, mining and agriculture. TGU is the main ingredient to make DEF, and monitoring of its stock provides a leading indicator of DEF supply. The transition from voluntary to mandatory reporting obligations for both DEF and TGU would have benefits for government, industry and market participants as it would provide a high level of information that policy makers could draw upon to mitigate the risk of a supply shortage.</p> <p>Recommendation: It is recommended that DEF and TGU be introduced as covered products under the POFR Act.</p> |
| <p>5. Final Use Data</p> | <p>Finding: Final use data refers to consumption data from industries that are consumers of liquid fuel products. It could be of value to ascertain the volumes of consumption from different sectors in the Australian economy, which may be useful for fuel security purposes. However, the practical challenges of implementing this policy and the associated regulatory burden on reporting entities would be substantial.</p> <p>Recommendation: It is not recommended that the POFR Act be used to collect final use data for covered products.</p> |
| <p>6. Sustainable Aviation Fuel (SAF)</p> | <p>Finding: Despite currently forming a small portion of aviation fuel demand, creating a category for SAF in the POFR Rules would be beneficial for market participants and policymakers in tracking future production and to increase the accuracy of statistics.</p> <p>Recommendation: It is recommended that SAF be given a dedicated category for reporting under the POFR Rules.</p> |

| | |
|---|---|
| 7. Natural Gas | <p>Finding: Natural gas was considered for inclusion to the POFR Act due to the International Energy Agency's recommendation in their 2018 review of Australia's energy policies. It was found that natural gas has sufficient coverage under other legislation outside of the POFR Act and so enforcing reporting requirements would be duplicative and increase regulatory burden.</p> <p>Recommendation: It is not recommended that natural gas be made a covered product under the POFR Act or Rules.</p> |
| 8. Mandatory Reporting of Sales to Retail Volumes | <p>Finding: Sales to retail volumes are currently reported on a voluntary basis. In recent times, participation in this measure has declined, leading to a decrease in the quality of data available to the Department.</p> <p>Recommendation: It is recommended that sales to retail volumes reporting be converted from voluntary to mandatory, in order to improve data quality.</p> |
| 9. Reporting Timing | <p>Finding: At present, the POFR Act and Rules cover a wide range of products and activities. For certain products, a monthly reporting interval is appropriate. Under the MSO, a subset of stocks data will have more frequent reporting intervals going forward, reflecting the critical need for this data to assess compliance with the MSO. Increased reporting may also be beneficial during a potential or actual fuel emergency. More frequent reporting allows for better monitoring of the market, however it is also associated with higher administrative burden for industry and government.</p> <p>Greases, lubricants, base oils, waxes and solvents (GLOWS) have been reported twice a year, however stakeholders conveyed that it is preferred to report every month to achieve consistency with other covered products.</p> <p>Recommendation: It is recommended to modify reporting frequency for GLOWS to be monthly, in line with most covered activities and products. This approach gives a more regular stream of data for the department and Australian Petroleum Statistics. It also reduces the risk of any data quality issues associated with extraction every six months. For non-GLOWS products, no changes to timing are recommended.</p> |

1. Introduction

1.1 *The Petroleum & Other Fuels Reporting Act 2017*

The *Petroleum and Other Fuels Reporting Act 2017* (POFR Act) was established by the Australian Government in 2017. Accompanied by the *Petroleum and Other Fuels Reporting Rules 2017* (POFR Rules), the Act sets out a mandatory reporting and publication regime for fuels and fuel-related products. The POFR Act has a broad coverage of the supply chain, ranging from importation of crude oil through to the wholesaling and distribution of refined fuels. For businesses involved in the petroleum sector, reporting of various activities including production, refining, wholesaling and stockholding is mandatory. In monitoring the domestic market, major transport fuels are covered by the Act, including alternative fuels. Other fuel-related products such as industrial greases, solvents and refinery feedstock also have reporting obligations. A primary objective of the Act is to provide accurate information for the Australian Petroleum Statistics (APS) which are utilised by businesses, government and international organisations to monitor trends in the market. Furthermore, data that is collected under the POFR Act is used by the department to monitor Australia's fuel security and compliance with International Energy Agency (IEA) obligations.

Prior to the implementation of the POFR Act, petroleum data was reported voluntarily to the department. A series of recommendations encouraged the government to explore the introduction of petroleum reporting. In their review of the APS in 2016, ACIL Allen concluded that *'the APS is not fit for purpose for reporting to the IEA or for reporting to government with respect to policies for and in response to liquid fuel emergencies'* and recommended mandatory obligations.³ Several weaknesses were identified with voluntary arrangements due to the incomplete coverage of the market, including non-reporting and under-coverage from new market entrants. It also resulted in underestimation of commercial stockholdings, leading to a perceived under-reporting of IEA days of coverage, which at times meant that Australia did not reach the required days of net import cover for IEA membership.⁴ This provided a compelling case for the current regime, which was legislated in 2017 after extensive industry consultation.

Recent changes to the administration of the POFR Act and Rules have aimed to modernise the methods of data submission and consolidate the regulatory framework following the introduction of the *Fuel Security Act 2021*. The Liquid Fuels Gateway, introduced in late 2022, is an online portal for businesses to submit POFR data, alongside other reports and applications. The Gateway replaces a set of template spreadsheets that were circulated with POFR entities and is designed to increase efficiency for industry participants and regulators. The department has also implemented an improved internal Petroleum Statistics Information Management System to enhance the speed of reporting, automate data quality assurance processes and protect data management and security. Industry can benefit from these changes through the increased speed of reporting and improved accessibility of data.

Other recent adjustments have resulted from updated reporting requirements through the Minimum Stockholding Obligation (MSO). In late 2022, the POFR Rules were amended to insert new definitions and ensure consistent definitions with the Fuel Security Act and the Fuel Security (Minimum Stockholding Obligation) Rules 2022 where appropriate. Section 5 of the POFR Rules was amended to prescribe storing stocks as a covered activity under the POFR Act, enabling reporting obligations under the Act and Rules for entities subject to the MSO. Reports related to MSO products were introduced to section 19 of the POFR Rules, which outlines the timeframes, provisions for importers, refiners and intermediary market participants, and auditing provisions. Other amendments to the POFR Rules were implemented to support the MSO scheme under the Fuel Security Act.

The POFR Act expanded the volume of information received from voluntary reporting and improved the accuracy of data. The reporting and publication of fuel information allows market participants and government to make better and more informed decisions for the transport fuels sector. Uses of

³ Department of the Environment and Energy (2016), Consultation Paper: Mandatory reporting of petroleum statistics

⁴ Days of IEA Net Imports are calculated according to IEA methodology on the basis of average daily net imports for crude oil and products of the previous year. Each IEA member country has an obligation to hold at least 90 days of net imports as oil stock levels.

petroleum data are outlined on the Department's website, which conveys that the introduction of mandatory reporting enables the reliability and accuracy of information published in the APS. In addition, the APS is used by business, government and international organisations to monitor trends, evaluate market performance and prioritise investment. Further applications of the APS are outlined in the government's consultation paper for what became the POFR Act, and include the following:⁵

- The department uses the APS and POFR data to compile official energy statistics, monitor the performance of the petroleum industry, examine reporting requirements under the United Nations Framework Convention on Climate Change, and develop policy for long-term liquid fuels security and resilience.
- The Australian Bureau of Statistics (ABS), Australian Taxation Office and Bureau of Infrastructure, Transport and Regional Economics use the APS for a range of purposes.
- The APS is used by state governments to forecast petroleum royalty revenue.
- The petroleum industry and other businesses use the survey to monitor trends, corporate performance and to inform decision making on future investment.
- The department uses POFR data to compile its monthly oil statistics report to the International Energy Agency (IEA) to monitor its obligations under the Agreement on an International Energy Program Treaty.

As outlined above, POFR Act data has a value for the department prior to being transformed into the APS for wider publication, especially for monitoring Australia's international obligations and domestic fuel security. Not all information collected under the POFR Act is published in the APS, and this data may serve other strategic purposes for the department to design policy and monitor the marketplace. Another reason data may not be published is to protect commercial sensitivities for industry members. Given the importance of the APS to stakeholders, the responsibility of the POFR Act is to enable timely access to accurate information and maximise the net benefits of reporting for industry. Since its enactment, the POFR Act has not yet been reviewed. As outlined within the Act, it is due to be reviewed three years after its commencement. As with any policy review, this document evaluates the extent to which the Act has met its objectives (shown in Box 1 below) and recommends any possible amendments to improve its functioning.

Box 1: Policy objectives

Objectives of the POFR Act

- Establish a mandatory regime for fuel information
- Monitor Australia's energy security, compliance with international obligations and enable publication of aggregate fuel statistics
- To assist the Commonwealth to monitor fuel security and aid the Commonwealth to develop policy relating to the prevention of, or preparation for fuel supply disruptions
- To support the implementation of the Fuel Security Act 2021

1.2 EY review phases

This review's analysis of key issues that currently pertain to the POFR Act builds on previously conducted reviews relating to the FQS Act, as well as information gathered during multiple phases of EY's review.

Phase 1: Refining the review scope – We used information from previous research and engaged with the department to refine the scope by seeking clarity on priorities and complementary analysis. From a legislative standpoint, the process included a policy analysis and a benchmarking analysis of

⁵ Ibid, p. 9

internationally comparable Acts. This combination provided a platform to understand the regulatory landscape and where the key areas of focus should be applied.

Phase 2: Engaging with stakeholders – We engaged with stakeholders to learn about how the POFR Act interacts with their activities. Consultation sessions were targeted around a set of areas that were in scope, as well as general feedback on the performance of the POFR Act and the potential for areas of improvement. Stakeholders included state and federal government departments and agencies, industry bodies, individual firms and subject matter experts. A list of specific questions posed to government and industry stakeholders is included in Appendix A.

Phase 3: Analysis of submissions and policy issues – We analysed feedback from government and industry on how the POFR Act is functioning and incorporated this information to develop stances on various policy options regarding the issues in scope.

1.3 EY review approach

This review used the guiding principles outlined in the *Australian Government Guide to Policy Impact Analysis*.⁶ This approach is used for specific topics where an extensive assessment was considered appropriate, in contrast to other aspects of the POFR Act where such rigour was not deemed necessary. For topics that were considered using the impact analysis framework, and where the relevant information was available, the analysis of the problem included a definition of the problem, reasons for policy intervention, a description of the possible policy options and their impacts, as well as a recommended approach.

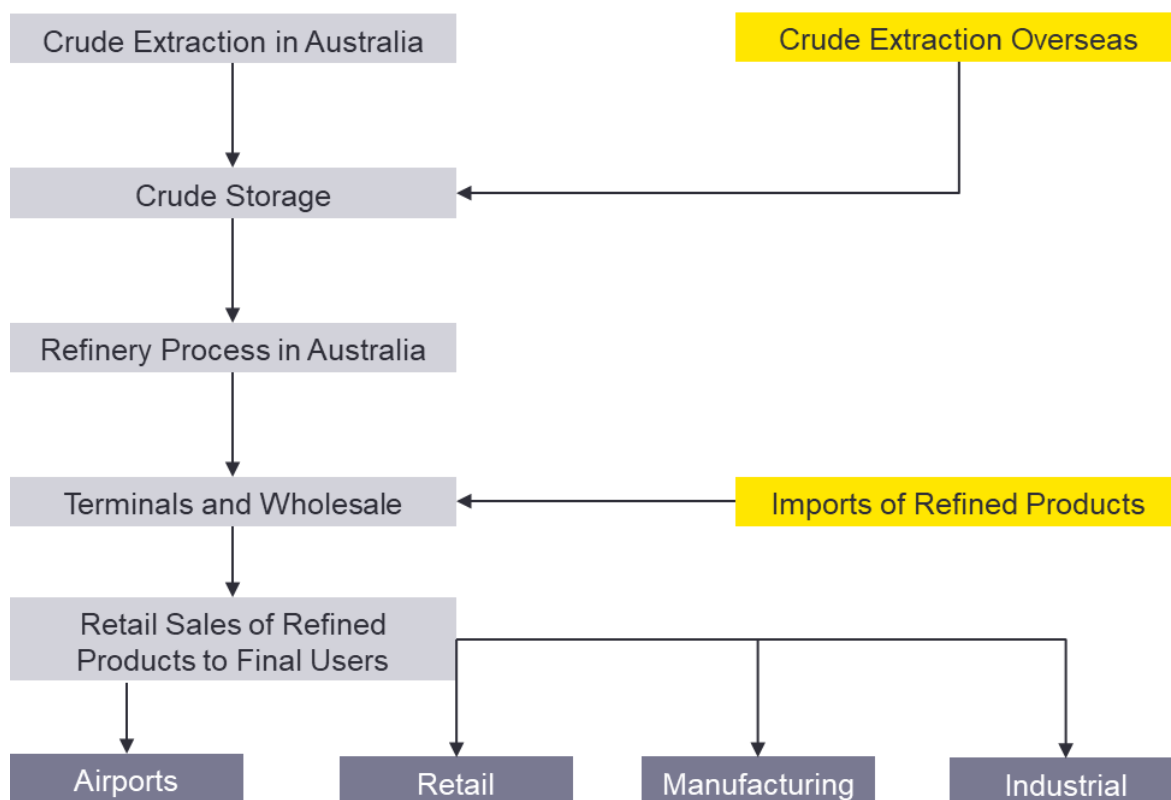
⁶ Australian Government Department of Prime Minister and Cabinet (2023), *Australian Government Guide to Policy Impact Analysis*

2. Review Context & Scope

2.1 Background on the liquid fuels sector

The liquid fuel sector comprises both unrefined product and refined product (see Figure 1 below). Unrefined product includes crude oil and condensate, which are used as inputs to produce refined product such as petrol, diesel and jet fuels, ethanol and biodiesel.

Figure 1: Petroleum production activities



Source: Department of Environment and Energy (2019) *Liquid Fuel Security – Interim Report*

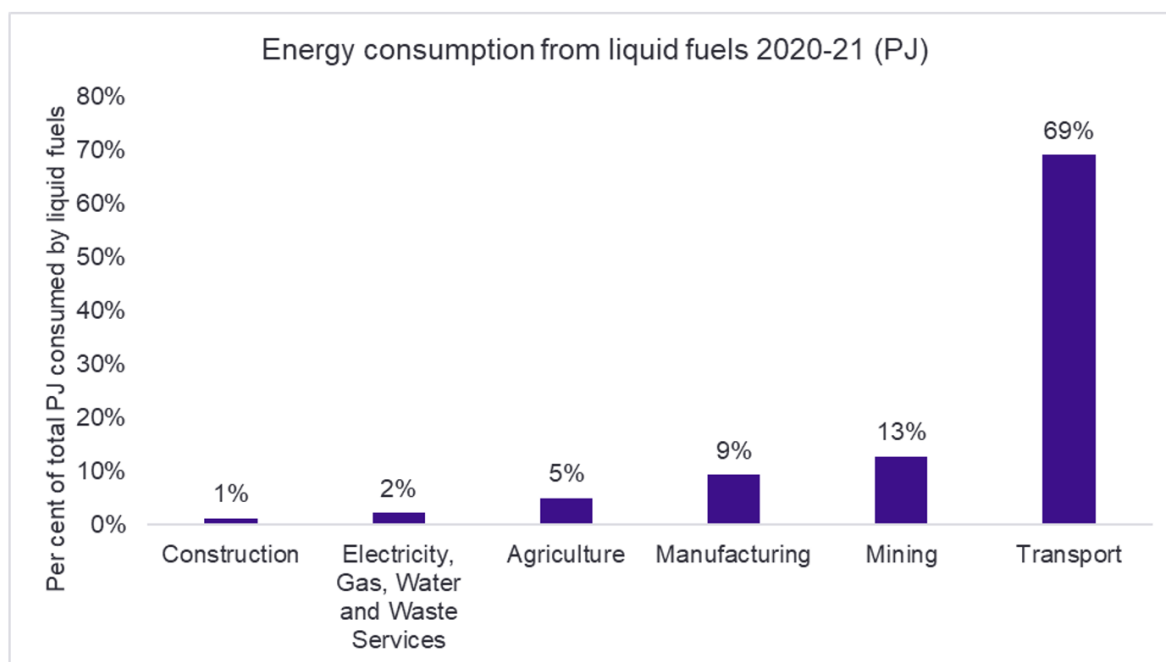
Australia's supply of unrefined and refined products is heavily reliant on imports from Asia and the Middle East. In 2021, 91 per cent of all refined product consumed in Australia was imported, of which 60 per cent was imported as refined product (i.e., a finished product) and the remaining amount was refined using imported crude oil feedstock in one of Australia's four domestic refineries.⁷ In 2022, two domestic refineries ceased production and were converted to import terminals. A decline in production from local refineries implies that domestic supply is likely to become even more reliant on global sources.

Liquid fuels are crucial to the functioning of many industries including transport, agriculture, manufacturing, mining and remote power generation. As shown in Figure 2 below, consumption of fuels is driven largely by the transport sector which comprised 69% of total energy consumption from liquid fuels in the economy in 2020–21.⁸ Non-road sectors such as mining, agriculture and manufacturing make up the remaining demand for fuel and are heavily reliant on diesel fuel for various production activities.

⁷ DCCEEW (2021) *Australian Petroleum Statistics – Issue 299 June 2021*

⁸ DCCEEW (2022), *Australian Energy Statistics 2021*

Figure 2: The usage of liquid fuel products by industry in Australia



Source: Table F_0, Australian Energy Statistics, DCCEEW (2022)

2.2 Fuel regulation in Australia

Due to the complex nature of fuel supply in Australia and the importance of satisfying demand for fuel, there are several fuel-related regulations that play important roles in the functioning of the market. Table 4 below outlines the federal pieces of legislation that apply to liquid fuels, the relevant departments who administer them and their objectives, although it should be noted that there are also a range of regulatory and monitoring activities that are undertaken at the state level.

Table 4: Legislation Relevant to the liquid fuels sector

| Legislation | Department | Objectives |
|---|------------|--|
| <i>Petroleum and Other Fuels Reporting Act 2017</i> | DCCEEW | <ul style="list-style-type: none"> To assist the Commonwealth to monitor fuel security to aid the Commonwealth to develop policy relating to the prevention of, or preparation for, fuel supply disruptions or potential disruptions.⁹ To assist the Commonwealth to give effect to Australia's obligations under the Agreement on an International Energy Program Treaty and any other international agreement to which Australia is a party relating to: i) international energy security ii) the reporting of data relating to petroleum, other fuels or fuel-related products. To facilitate the publication of information relating to Australia's petroleum and other fuel markets. To support the implementation of the <i>Fuel Security Act 2021</i>. |
| <i>Fuel Quality Standards Act 2000</i> | DCCEEW | <ul style="list-style-type: none"> To reduce the level of pollutants and emissions which cause environmental/health problems.¹⁰ |

⁹ Federal Register of Legislation, *Petroleum and Other Fuels Reporting Act 2017*

¹⁰ Federal Register of Legislation, *Fuel Quality Standards Act 2000*

| | | |
|---|--|---|
| | | <ul style="list-style-type: none"> • To facilitate the adoption of better engine and emission control technology. • To allow for more effective operation of engines. • To ensure that appropriate information about fuel is provided to consumers when supplied. |
| Competition and Consumer (Industry Codes—Oil) Regulations 2017 | Federal Treasury, ACCC, DCCEEW | <ul style="list-style-type: none"> • Setting minimum standards in relation to contract requirements and tenure.¹¹ • Assisting participants to make informed decisions when managing fuel re-selling agreements through the disclosure of specific information. • Improving transparency in wholesale pricing and access to declared petroleum products at a published terminal gate price. • Provisions for access to a cost-effective and timely dispute resolution scheme as an alternative to litigation. |
| <i>Fuel Security Act 2021</i> | DCCEEW | <ul style="list-style-type: none"> • To improve security and confidence in Australia’s fuel supplies.¹² • To support sovereign capability to maintain fuel supplies. • To contribute to meeting Australia’s obligations under the International Energy Agreement. • To assist in preventing disruptions in fuel supplies. |
| <i>Liquid Fuel Emergency Act 1984</i> | DCCEEW | <ul style="list-style-type: none"> • To facilitate the management of liquid fuel that is, or is likely to be, in short supply.¹³ |
| Vehicle Standard (Australian Design Rule 7904 – Emission Control for Light Vehicles) 2011 | Department of Infrastructure, Transport, Regional Development, Communications and the Arts | <ul style="list-style-type: none"> • To prescribe the exhaust and evaporative emissions requirements for light vehicles in order to reduce air pollution.¹⁴ |
| Australian Consumer Law (ACL) – <i>Competition & Consumer Act 2010</i> | ACCC ¹⁵ | <ul style="list-style-type: none"> • To enhance the welfare of Australians through the promotion of competition and fair trading and provision for consumer protection.¹⁶ |

¹¹ Federal Register of Legislation, *Explanatory Statement - Competition and Consumer (Industry Codes – Oil) Regulations 2017*

¹² Federal Register of Legislation, *Fuel Security Act 2021*

¹³ Federal Register of Legislation, *Liquid Fuel Emergency Act 1984*

¹⁴ Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *Third Edition Australian Design Rules*

¹⁵ Australian Consumer Law is important for the functioning of the fuel market as it instils confidence in the consumption decisions of consumers. In its absence, instances of contamination could cause market frictions due to demand side uncertainty about fuel quality.

¹⁶ Federal Register of Legislation, *Competition and Consumer Act 2010*

| | | |
|---|-----------------------------------|--|
| <p><i>National Greenhouse and Energy Reporting Act 2007</i></p> | <p>The Clean Energy Regulator</p> | <ul style="list-style-type: none"> • To introduce a single national reporting framework for the reporting and dissemination of information related to greenhouse gas emissions, greenhouse gas projects, energy consumption and energy production of corporations to: <ul style="list-style-type: none"> • inform government policy formulation and the Australian public • meet Australia's international reporting obligations • assist Commonwealth, State and Territory government programs and activities • avoid the duplication of similar reporting requirements in the States and Territories.¹⁷ • To contribute to the achievement of Australia's greenhouse gas emissions reduction targets by ensuring that net covered emissions of greenhouse gas from the operation of a designated large facility do not exceed the baseline applicable to the facility. |
|---|-----------------------------------|--|

Within the regulatory framework, the Fuel Quality Standards Act dictates the requirements for the specifications of fuel and the associated penalties for non-compliance. This works alongside the Vehicle Standard 2011 (Australian Design Rule 79/04) and Vehicle Standard (Australian Design Rule 80/03) 2006 to achieve emissions outcomes for light passenger vehicles and heavy vehicles, respectively. At the retail level, the Competition and Consumer (Industry Codes—Oil) Regulations 2017 regulates pricing arrangements for fuel and contract matters for franchising agreements. For consumers, Australian Consumer Law provides protections for consumers of liquid fuel products in addition to avenues for compensation through state/territory government organisations.

Concerning fuel-related reporting schemes to support policy making, suppliers are obligated to submit volumes of refined product under the POFR Act. In combination with the Fuel Security Act, these acts contribute to confirming the domestic petroleum supply and mitigating the risk of disruptions. The Liquid Fuel Emergency (LFE) Act would be employed in very rare circumstances and gives power to the Minister responsible for the LFE Act to give directions across various sectors. However, it is important to note that to date, an emergency direction has never been declared by the government. Aside from fuel security, under the National Greenhouse and Energy Reporting Scheme, the end use of liquid fuels is collected for large users alongside other energy consumption data.

2.3 Fuel security & the POFR Act

As described above, Australia's liquid fuel sector is heavily reliant on imports. This provides benefits in access to diverse global supply chains, which encourages competitive fuel prices and improves reliability. However, dependence on imports exposes the sector to risks from supply chain disruptions such as geopolitical events, input shortages and resource constraints. While companies involved in fuel supply have a deep understanding of their individual role in the supply chain, they still operate in isolation and without full knowledge of the commercial operations of others.

The Liquid Fuel Security Review Interim Report, published in 2019 by the former Department of Environment and Energy noted that data collected under the POFR Act was important to improving the government's understanding of fuel stocks. For example, good quality data is essential to maintaining sufficient stocks for refined products in line with International Energy Agency (IEA) obligations, particularly as the production from domestic refineries diminishes. However, the interim report also noted that the Act operates with a time lag of about six weeks, which leaves little scope for proactive management of imminent short-term risks by government, particularly where more than one large fuel supplier may be experiencing fuel supply issues. The interim report noted that POFR is

¹⁷ Federal Register of Legislation, *National Greenhouse and Energy Reporting Act 2007*

more suitable for providing foundational data on fuel supply as a means to support longer-term policy decisions.

The importance of the POFR Act for maintaining fuel security has increased since the release of the interim report in 2019, due to supply volatility caused by the COVID-19 pandemic and international conflicts. Information obtained under the POFR Act is utilised in several key workstreams aimed at understanding Australia's fuel security such as:

- Reliability of supply – Understanding the 'demand' across different fuel types and different users and mapping the 'supply', including international imports, domestic production, refineries, storage capacity and distribution.
- Affordability – Cost benefit analysis of the economic impacts of disruptions and the associated costs of measures to insure against these events.
- Resilience – System resilience testing to see how well Australia would manage if there were disruptions. This involves thinking to the future to understand emerging risks and how our use of liquid fuels is evolving.

As a main source of data for liquid fuels, the POFR Act and Rules have an important role in achieving the above outcomes. In particular, data collected under POFR is used for strategic policymaking and monitoring in the midst of rapidly changing global conditions.

2.4 Topics in scope

Given the statutory nature of this review, the primary objective of EY's independent review is to conduct an overarching assessment of whether the policy objectives are being achieved and whether the POFR Act is functioning as intended. Primarily, the provisions in section 40 outline requirements for the independent review to assess the definitions of fuel information, covered products and covered activity. In addition, the review aims to address specific issues that have been identified based on initial discussions with the department, consideration of current trends, feedback received by the department, and alignment with other workstreams.

A full list of interview questions is included in Appendix A. One topic left out of scope of review is the method of data submission. Recently, the department has changed the source of POFR information from a template spreadsheet towards the new Liquid Fuels Gateway online portal. While this may cause some introductory costs for users in the near term, it is likely that this method will become more efficient for both government and industry as users become more familiar with this change. Table 5 below shows the topics in scope, including the statutory requirements and other issues derived from stakeholder consultation:

Table 5: Topics within scope of review

| POFR Act/POFR Rules 2017 | |
|---|--|
| Statutory Requirements of the Review | <ul style="list-style-type: none"> • Assessing whether the definition of fuel information is appropriate • Evaluating the scope of covered products and covered activities |
| Specific Issues | <ul style="list-style-type: none"> • The benefits of incorporating DEF or other critical consumables into the POFR Act • The potential inclusion of final use data • Converting some voluntary reporting duties to mandatory • Exploring the inclusion of natural gas as a covered product • Changing the treatment of SAF from a biofuels product to its own dedicated category • Standardising reporting timeframes for various products |

2.5 Desktop review of topics

As part of Phase 1 of this review, a policy analysis of the POFR Act and Rules with a more legislative lens has been conducted. The policy analysis considered whether key definitions and provisions in the Act and Rules are in line with the stated purpose of the legislation and are appropriate considering recent developments in the fuel industry. This review helped to inform the findings and recommendations contained in Part 3. Specific issues outside of the statutory requirements of the review were also considered. Our analysis of regulatory impact draws on and incorporates the desktop review’s findings and considerations where relevant.

3. Statutory Review Topics

3.1 Fuel information, covered products & covered activities

In compliance with the statutory requirements of the Act, EY has explicitly reviewed the definition of fuel information, covered product and covered activity. Stakeholder consultation and analysis informed the findings and recommendations set out below.

3.1.1 Relevance and fit for purpose

Regarding the overall function and operation of the POFR Act, stakeholders share the view that the POFR Regime is beneficial due to the reliability of the APS and the ability to monitor fuel security. In the face of emergent trends, the POFR act maintains its relevance to the petroleum sector, regulators and the wider economy.

3.1.2 Alignment with stated policy objectives

Section 3 of the POFR Act lists the objectives as follows:

- (a) to assist the Commonwealth to monitor fuel security to aid the Commonwealth to develop policy relating to the prevention of, or preparation for, fuel supply disruptions or potential disruptions;
- (b) to assist the Commonwealth to give effect to Australia's obligations under the Agreement on an International Energy Program Treaty, or under any other international agreement to which Australia is a party relating to:
 - (i) international energy security; or
 - (ii) the reporting of data relating to petroleum, other fuels or fuel-related products;
- (c) to facilitate the publication of information relating to Australia's petroleum and other fuel markets.
- (d) to support the implementation of the *Fuel Security Act 2021*.

Stakeholders indicated that the POFR Act has broadly achieved its objectives. Reporting submissions enable the publication of the APS, which provides market information and transparency for the liquid fuels market in Australia. The POFR Act also allows for continued monitoring of compliance with the International Energy Agency (IEA) treaty through accurate statistics.

3.1.3 Fuel Information

Section 5 defines fuel information as:

- (a) any raw data, or any value added information product, that relates to:
 - (i) covered activities; or
 - (ii) the quantity, quality or characteristics of covered products; or
- (b) any metadata that describes data of a kind referred to in paragraph (a);

and includes contextual information relating to covered products (such as the location, control and ownership of covered products).

With regards to fuel quality, the POFR Act does not collect information about the chemical composition of refined products, or quality testing results. This falls under the scope of the Fuel

Quality Standards Act. Detailed analysis on the annual statement is contained within the Fuel Quality Standards Act independent review.

Industry stakeholders suggested that current levels of fuel information are adequate, and that further information should be justified on the premise that the additional benefit must outweigh the extra regulatory burden. Any subsequent information that is required should also be requested on the basis of how it will be used to inform policy, and how the data will be used by government, and/or how industry could benefit.

Government stakeholders suggested that current levels of information are generally appropriate for regulatory and policy development purposes. Information on biofuels was identified as a possible area for improvement by the department, as a greater level of detail is preferred for biofuels policy development.

Finding: 3.1.3 – Fuel information

On the basis of feedback from government and industry, and through the policy analysis, the definition of fuel information is appropriate and meets the stated objectives of the POFR Act.

Recommendation: 3.1.3 – Fuel information

No legislative changes are required for the definition of fuel information.

3.1.4 Covered activity

The list of covered activities under the POFR Act includes:

- a) Producing a covered product; or
- b) Refining a covered product; or
- c) Wholesaling a covered product; or
- d) Holding stock of a covered product; or
- e) Importing a covered product; or
- f) Exporting a covered product; or
- g) Any other activity, in relation to a covered product, prescribed by the rules for the purposes of this paragraph.

Section 5 of the POFR Rules states that the activities prescribed to part (g) of the above list includes:

- a) Operating a fuel storage terminal, for covered products, that is connected to a refinery or a port by a pipeline;
- b) Processing plant product.

Stakeholders suggested that current levels of reporting are adequate to sufficiently cover the supply chain and conveyed that the list of covered activities is appropriate. One area suggested for improvement, which is outlined in Part 6.3 in this report, is the potential change to make sales to retail reporting mandatory.

Finding: 3.1.4 – Covered activity

The definition of covered activities is appropriate, apart from the current method of sales to retail being reported voluntarily (see Part 6.3).

Recommendation: 3.1.4 – Covered activity

No legislative changes are required for the definition of covered activities, apart from the conversion of sales to retail reporting from voluntary to mandatory.

3.1.5 Covered product

Due to the volume of covered products, a full list of the items to be reported under the POFR Act has been reproduced in Appendix C.

Broadly, the list of covered products is sufficient for both industry and government. Detailed feedback was received from stakeholders around the treatment of SAF, which is discussed further in this report. Furthermore, the expansion of the covered products list to cater for DEF and TGU which are not currently captured under the POFR Act, is a consideration under scope of this review.

Finding: 3.1.5 – Covered product

The definition of covered products is appropriate, however the scope of covered products could be extended to include DEF and TGU.

Recommendation: 3.1.5 – Covered product

The scope of covered products is sufficient, however broadening the POFR Act to include DEF and TGU will help the POFR Act in achieving its objectives (see Part 4). Additionally, a change to the reporting requirements for SAF is recommended and is detailed in the recommendation for Part 6.1.

4. Diesel Exhaust Fluid

4.1 Diesel exhaust fluid – Background

Diesel exhaust fluid (DEF) is a product used to reduce the amount of pollution emitted by a diesel-powered engine. It operates by using a process of selective catalytic reduction in the exhaust system, where noxious pollutants created by the engine are converted into nitrogen, water vapour and carbon dioxide, thereby minimising the effect of exhausts on human health or the environment. In Australia, domestic DEF manufacturers import technical grade urea¹⁸ (TGU) and use it to manufacture DEF by blending it with deionised water, or simply import the finished DEF product. Australia is reliant on imports of TGU, and at present does not have domestic capacity to produce TGU due to the limited availability and high cost of natural gas for urea synthesis. This dependence on imports means that the economy is impacted by global supply chain volatility, due to import restrictions, difficulty in securing contracts and shipping delays.

DEF is predominantly used by heavy vehicles and truck fleets, for which it is essential to a significant portion of the diesel road trucking fleet, as unauthorised engine reprogramming to turn off the DEF function is prohibited under the Heavy Vehicle National Law, which consists of a single set of laws administered across six states and territories. The mining, agriculture and courier services industries also consume DEF in their diesel powered vehicles. DEF is used in newer light passenger vehicles fitted with a selective catalytic reduction emission control system to reduce pollutants, where it can also act as a coolant. As these modern engines are designed to operate with DEF, switching it off may result in engine damage or failure, and impact vehicle warranties and insurance claims. In this way, DEF is critical for their operation.

DEF consumption is forecast to increase in Australia as newer diesel engines are introduced to the market. This includes the introduction of Euro VI standards for heavy vehicles in Australia, which requires operators to purchase more reagents, announced in October 2022.¹⁹ Likewise, reviews are underway to investigate non-road diesel engine emissions, which may be associated with DEF capabilities as a means to limit emissions output.²⁰

In late 2021 and early 2022, China's decision to restrict urea exports resulted in supply disruptions for TGU and threatened the security of supply in some countries in our region including Australia. Significant risks were borne by the logistics industry, which faced high prices for DEF and were forced to reallocate low supply across priority trucking routes. This resulted in shortages for some retailers who were reliant on the logistics industry for their products. Research provided by government indicates that national demand equates to around 4 million litres of DEF per week, 95 per cent of which is required by critical industries of the economy. As an essential input for the functioning of trucks and heavy vehicles, for which there are no substitutes, a shortage of DEF has significant implications for the Australian economy. Other countries have also experienced similar supply side risks - for example, the South Korean Government is reported to have taken several measures to counter a shortage of DEF – this included using diplomatic channels to procure international shipments as well as managing domestic supply through new fines on stockpiling and a suspension of charges for vehicle tampering.²¹

Information provided by the Department has conveyed the global sources of imports for DEF and TGU during 2022 (Figure 3). China and Indonesia are the greatest sources of supply with almost 80 per cent combined, and together with Japan and Saudi Arabia, these nations form over 99 per cent of total imports.

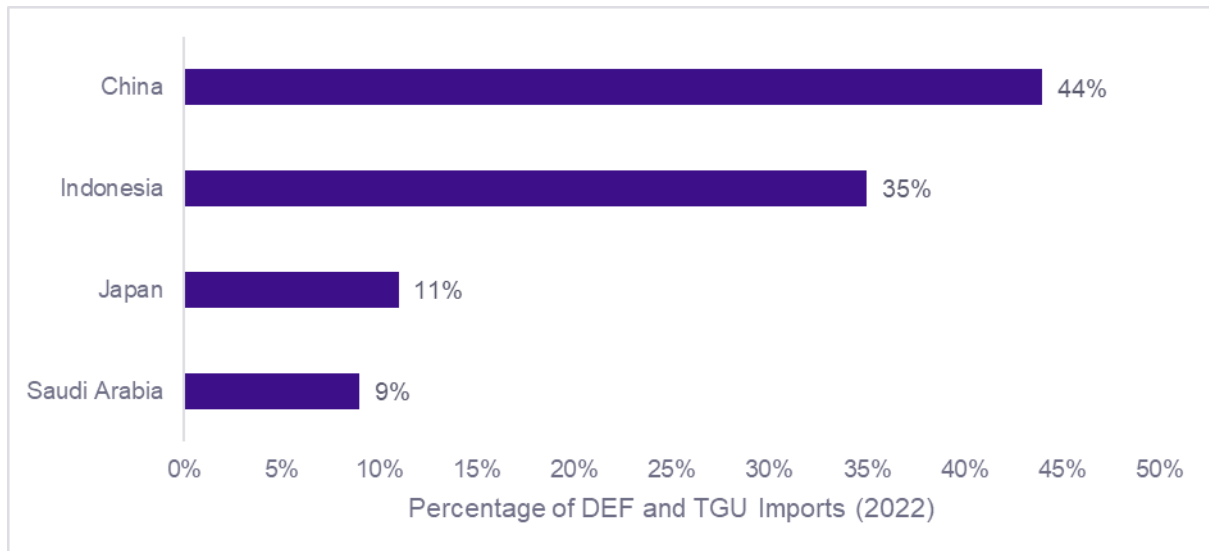
¹⁸ For the purposes of this report, we use the term TGU to mean automotive grade technical urea, which is specifically used to produce DEF, and not urea used for other purposes

¹⁹ Department of Infrastructure, Transport, Regional Development, Communications and the Arts (2022), *Cleaner emissions standards for trucks and buses*

²⁰ DCCEEW (2022), *Evaluation of Non-Road Diesel Engine emissions*,

²¹ Argus Media (2021), *South Korean DEF shortage sparks government response*

Figure 3: Breakdown of Australian import sources for DEF and TGU in 2022



4.2 Diesel exhaust fluid – Policy problem

The policy problem results predominantly from supply side constraints caused by limited supply-chain diversification of TGU imports. This has the potential to cause uncertainty in the supply of TGU imports when supply chains are stressed, which may lead buyers to alter their consumption behaviour and distort the market for DEF. These issues could be mitigated through improved market transparency for DEF, whereby suppliers report their TGU import volumes to the department, which would then be published to assist buyers in monitoring the market and prevent any panic buying episodes.

This policy issue was mainly informed by the recent DEF shortage, which exposed insufficient market information and the need for safeguards to lessen the impact on businesses. The unexpected shortage occurred in late 2021 and persisted into 2022. As a result of panic buying, many consumers were uncertain about forward availability of DEF from retail sources, and supply failed to meet this demand as production was impacted by global conditions. While Australia's situation was not unique when compared to other nations, the crisis did expose an element of risk to supply chains and the wider economy due to the reliance on imports of DEF and TGU.

At the peak of the shortage, users claimed that prices of DEF had increased fourfold, and businesses in remote areas were more severely impacted.²² As market participants had limited knowledge of the amount of DEF in the country and where to prioritise distribution, a group of manufacturers lodged an application with the ACCC to share information and collaborate to obtain sufficient supply of TGU.²³ This indicates a significant lack of reporting throughout the crisis, where firms and government both experienced uncertainty on how to secure and distribute supply. The interim authorisation was granted by the ACCC and extended in April 2022 on the condition that suppliers collaborate with the Federal Government to secure the supply of DEF in future. In a submission to the ACCC, a DEF supplier claimed that if entities are unable to secure DEF during a supply shortage, it could cost the Australian economy up to hundreds of millions of dollars each day, caused by disruption to sectors relying on diesel-powered vehicles.

Throughout 2022, Australia's shortage of DEF gradually improved due to a combination of two main factors:

- easing constraints for TGU imports and diversification of supply chains

²² Bernasconi, A. (2021), *AdBlue prices quadruple, haulage companies call for ACCC intervention*, ABC News Australia

²³ ACCC (2021) *AdBlue Manufacturers*

- the expansion of onshore production facilities by Incitec Pivot Limited (IPL) at Gibson Island with government support.

However, long-term concerns remain about DEF supply with the IPL facility having shut down in late 2022. Market participants have made efforts to diversify Australia's global sources of supply for TGU, which continue to face pressure from ongoing energy security issues due to the Russia-Ukraine conflict, accelerating gas prices and increased competition for supplies from China and the Middle East. As the perceived risks of a DEF shortage continue, government intervention can be justified to ameliorate these concerns, including reporting requirements through the POFR Act.

4.3 Diesel exhaust fluid – Formation of the Supplier Working Group

In 2022, a Supplier Working Group (SWG), made up of industry and government agencies was established with the intention to share information around stockholding, total production and sales of DEF. In consultation with the SWG, the department investigated the current market functions, ways to promote market transparency, existing sovereign investment projects and diversification of supply chains.²⁴

At present, reporting requirements for DEF are voluntary and are not regulated by the POFR Act. This information is also not included in the APS, although the department is currently exploring the potential to publish DEF-related data. Discussions with the SWG have indicated that there is a broad alignment of interest to improve the availability of data and information for DEF, although opinion differs around the optimal path to achieve this. Introducing DEF as a covered product under the POFR regime would allow stocks to be more accurately tracked, and for government and industry to formulate policy options in the event of a crisis. In doing so, the POFR Act can be a tool to improve Australia's position regarding fuel security.

4.4 Diesel exhaust fluid – Stakeholder engagement

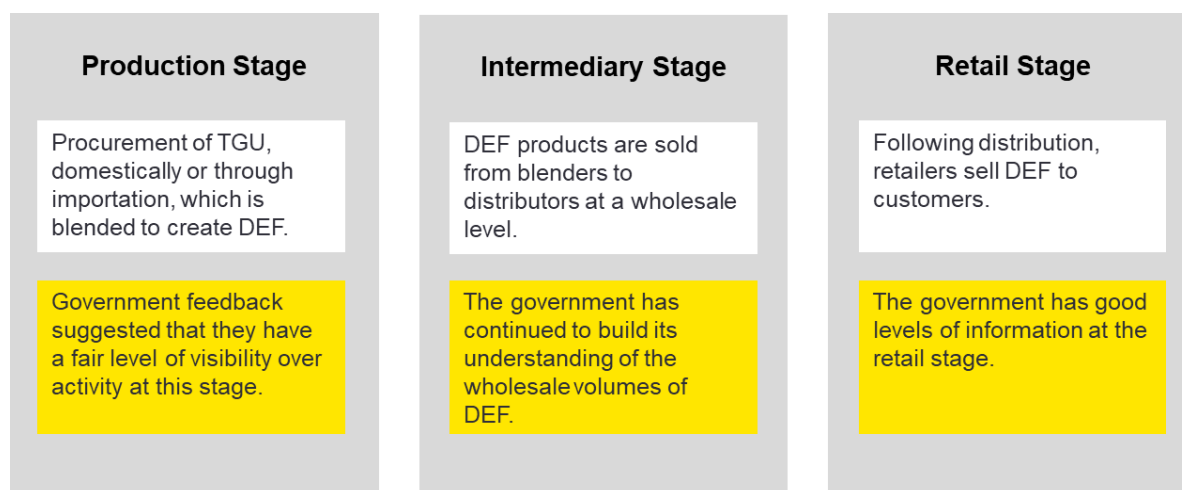
Stakeholders had mixed feedback for introducing new mandatory reporting obligations for DEF. Government stakeholders noted that under voluntary reporting measures that have been recently established, the levels of uptake have been mixed, resulting in a lack of accurate data and visibility on some components of the DEF supply chain. Although there is a moderate level of information available on the importation and retail sales of DEF, there exists a significant gap at the wholesale or intermediary stages where increased visibility would be helpful (See Figure 4 below). Mandatory reporting through the POFR Act would work to improve the quality of data received through clear requirements set out for reporting and enforceable penalties for non-compliance. Improved data would enable identification of possible shortfalls in supply to prepare corrective action.

Government stakeholders have indicated that the additional burden to incorporate DEF into databases and online portals will not be substantial in comparison to overall POFR costs for the department. This is because TGU and DEF have been incorporated into the Liquid Fuels Gateway to begin voluntary reporting in mid-2023 and so most of the start-up costs for DEF reporting have already been absorbed by the department.

The department has also worked with industry to assist the SWG in becoming more familiar with the involved processes for reporting. In general, government stakeholders supported further discussions with industry prior to the introduction of mandatory reporting and acknowledged that some of the costs from this policy change will be borne by small and medium-sized enterprises across the DEF sector.

²⁴ DCCEEW (2022), *Help improve Australia's diesel exhaust fluid supply: request for information*

Figure 4: Stakeholder feedback on DEF supply chains



Some industry stakeholders were also supportive of reporting, suggesting that it would not be a significant increase in costs to provide the data where they do not already voluntarily report. However, they noted that some wholesale DEF distributors, many of whom are smaller enterprises, do not currently send submissions under the POFR Act. These smaller enterprises may face higher costs related to compliance, while the same could be seen by the department, with higher costs associated with collecting data from these firms.

As a result, the suggestion of a phased and tiered approach was raised as a compromise to build trust with the sector. By transitioning from a voluntary approach to mandatory obligations after a grace period, government will be able to maintain relationships with stakeholders in the market segment. A tiered approach based on production volumes of DEF could also be implemented, allowing for fewer reporting requirements for smaller entities.

Some industry stakeholders were in favour of covering DEF under the POFR Act, citing the benefits of increased market transparency for these products. They also expressed that publishing data on the APS can help to reduce the level of misinformation for fleet owners and users of DEF, which mitigates the risk of panic buying and market dysfunction. In effect, panic buying exacerbates a supply shortage, and greater levels of transparency for demand and supply of the product can help to reduce this. They advised that there is significant risk in not having DEF volume statistics as supply concerns continue, and that reporting can allow for early detection of potential supply issues requiring government intervention. This information would support the development of a longer-term view concerning supply and demand of the production in Australia (and globally), feeding into a more strategic view of the role of DEF and the appropriate risk-adjusted response by government and industry.

Other stakeholders were opposed to incorporating DEF into the POFR Act. They expressed that the recent supply shortage was a temporary issue and is unlikely to occur again to the same extent. As DEF is not strictly a fuel, it should not be a covered product in their opinion. They also conveyed that the industry is willing to provide data on request through a voluntary basis, which is more favourable than a mandatory scheme. In many cases, qualitative feedback in touchpoints with the department is just as useful as periodic reporting is to communicate concerns. They expressed a preference to report twice a year instead of monthly when the supply of DEF is stable.

Industry stakeholders also expressed that mandatory reporting could have negative consequences for smaller businesses. Because some businesses do not use electronic inventory systems to measure DEF, unlike petroleum, it would be a complex undertaking for smaller entities to compile reporting on a monthly basis. They also had concerns around expanding the set of reporters from currently only petroleum suppliers, to also include DEF wholesalers and petroleum firms who also supply DEF. In their opinion, it could increase the scope of regulations beyond the stated intentions of the POFR Act, as it sets a precedent for other fuel-related products being introduced (e.g., brake fluid) – although, such products are not considered necessary for fuel security or prone to supply shortages. These stakeholders conveyed that the significant investment to implement reporting processes would not be

justified by improvements in market transparency. This review considers it important to make the distinction between DEF and other fuel-related products in that DEF is considered necessary for fuel security and has been previously prone to supply shortages.

4.5 Diesel exhaust fluid – Policy options and analysis

The DEF supply shortage warrants further considerations for monitoring and reporting such as:

- the global nature of the supply side shortage
- the critical nature of national demand
- the low levels of market maturity
- the implications of a shortage on the broader economy
- the lack of any valid substitutes
- long-term concerns about supply.

These are all important factors that warrant consideration for the monitoring and reporting of DEF.

However, it is important to note that the 2021/2022 supply crisis resulted from the intersection of several unique circumstances and may not be an indicator of future disruption events. There remains the possibility that the recent emergency was an isolated incident and may not occur again in future. With this in mind, a response that overcompensates the reaction to a shortage and the probability of future crises should be avoided. The emphasis for policymakers should be to mitigate the risk of ongoing disruptions and ensure that industry participants have a high degree of market transparency both during business as usual and if a supply shortage were to occur.

This section provides a discussion of policy options related to DEF. EY's assessment of policy options is based on the POFR Act's primary policy objectives, which include monitoring fuel security and preventing fuel disruptions.

Policy option 1 – Retain the status quo

Under this option, the reporting requirements would remain voluntary. This is likely to result in inconsistent data for decision makers, which may create difficulties to detect and mitigate a shortage.

Policy option 2 – Introduce solely DEF as a covered product

Moving towards a mandatory scheme will provide a higher level of quality for figures that are released to the public. Although voluntary requests may provide some valuable information, from experience, a mandatory scheme is highly likely to provide more robust and reliable data. When considering the significant public sector investment into the industry, reporting could be a way to lessen the need for government intervention if there is clear evidence that the market is functioning properly. This has benefits for the wider economy if DEF resources can be allocated more efficiently.

Policy option 3 – Introduce DEF and TGU as covered products

As an input to the production process that occurs onshore, the importation of TGU could be seen as a leading indicator of DEF supply shortages. The Department has suggested that as a solution they can utilise Australian Border Force customs data which identifies the uses of TGU for automotive purposes. The primary benefit of reporting DEF and TGU under POFR would be market transparency for both products and ensure the onshore production process of DEF supplies sufficient volumes to retailers. While this option may require greater reporting burden than option 2 due to TGU information being required, the benefits from improved information for policy makers is likely to outweigh the marginal costs.

4.6 Diesel exhaust fluid – Policy discussion

In comparing the policy options, it is important to consider the risks from the current lack of reporting. Under the status quo, government intervention remains a necessary tool to gather voluntary information and support domestic production. If supply shortages reoccur, the most exposed sectors are logistics, agriculture and mining, who are critical users of DEF. In reality, the costs of current circumstances are difficult to quantify because of the varying availability of DEF in Australia and internationally, but there clearly remains a material risk that adverse supply conditions will persist. Some regulatory burden for industry is likely to continue through voluntary requirements introduced by the government, although there appears to be some consideration for maintaining a productive dialogue with the sector including through the arrangements with the ACCC and through other measures taken by the department.

The complexities of reporting DEF under the POFR Act stem from it not strictly being a fuel product. As it is not combusted within the engine, DEF may sit outside the definition of *'fuel-related products'*. Despite this, it was seen by many stakeholders to be a critical consumable for certain vehicles and industries, as it requires continuous usage in fleets. As such, the contribution of DEF towards fuel security is likely as important as some liquid fuel products covered in the POFR Rules.

Under option 2, DEF could be reported under POFR through the covered activities of production, wholesaling, holding stock and importing. Under this option, the benefits gained relative to option 1 will be to provide transparency to the market, while the benefits gained relative to option 3 would be a minor reduction in reporting burden.

The primary benefit of reporting both DEF and TGU under POFR would be market transparency for the products, which ensures that the onshore production process of DEF supplies sufficient volumes to retailers. While this option may require greater reporting burden than option 2 due to TGU information being required, the benefits from improved information for policy makers is likely to outweigh the marginal costs.

4.7 Diesel exhaust fluid – Finding and recommendation

Finding: 4.7 - Diesel exhaust fluid

DEF is a critical product that indirectly contributes towards fuel security. Because heavy vehicles and truck fleets rely on DEF, shortages are likely to affect a range of industries including logistics, mining and agriculture. TGU is the main ingredient to make DEF, and monitoring of its stock provides a leading indicator of DEF supply. The transition from voluntary to mandatory reporting obligations for both DEF and TGU would have benefits for government, industry and market participants as it would improve the information that policy makers could draw on to mitigate the risk of a supply shortage.

Recommendation: 4.7 – Diesel exhaust fluid

It is recommended that DEF and TGU be introduced as covered products under the POFR Act.

5. Final Use Data

5.1 Final use data – Background

As shown in Table 6 below, the scope of the POFR Act focuses on the importation and refinery stage as well as wholesale levels of the supply chain, which have mandatory reporting obligations. The coverage also includes importing, production, refinery, wholesaling and stockholding, and does not encompass sales to retail or final consumption.²⁵

Table 6: Petroleum supply chain reporting in POFR

| Supply chain reporting | | | | | |
|------------------------|---|--|------------------------------|-----------------|--------------|
| Supply chain stage | Importation or domestic extraction of crude product | Importation of refined product or domestically refined product | Wholesaling and distribution | Sales to retail | Consumption |
| Reporting requirement | Mandatory | Mandatory | Mandatory | Voluntary | No reporting |

The POFR Act does not cover the final users of petroleum at the consumption stage. Data on the demand side of the market may help policy makers improve long-term policy or strategic decisions. Reporting of this information would be particularly useful in the event of a liquid fuel shortage as it could be of use to know which sectors of the economy are using petroleum products and the baseline volumes of fuel they consume. Government could minimise the harm from supply side crises and identify fuel users that could be vulnerable to a shortage. However, reporting of this information is likely to be difficult to obtain and burdensome for the department and industry, given it would require that: i) the department establish consistent definitions for different industries, ii) the department ensures consistent reporting, iii) industry upgrade databases to improve the quality of retail level data held, and iv) industry establish processes to monitor downstream sales from their wholesale consumers.

5.2 Final use data – Stakeholder engagement

Government stakeholders expressed concerns on this proposal as it may overextend the reach of the POFR Act. Although the information on final use data would be of interest to regulators, ultimately the resources required to collect this would be substantial. Collecting information from consumers would involve potentially hundreds of submissions if buyers were asked to report purchase volumes. There would need to be a redesign of the POFR survey if the government approached customers, and an extension of administrative burden if the Department collected this information through fuel suppliers. They also expressed that some liquid fuels consumption is reported in the National Greenhouse and Energy Reporting (NGER) Scheme, where large users of liquid fuels report to the scheme.

Industry stakeholders agreed, citing that the increased regulatory burden would not be justified by improved policy awareness. There was concern over privacy and/or confidentiality issues associated with providing sales data with the public or their competitors. In addition, for many transactions, firms are not always aware of who purchases fuel past the wholesale level of the supply chain. It was perceived to have a disproportionately higher impact on small- and medium-sized enterprises, whose systems are not as advanced as major suppliers. These firms would require a greater investment to ascertain the final consumers of their products.

²⁵ The POFR Act sets out a regime for the mandatory collection of import data. However, the department does not currently enforce this provision, and instead sources aggregate import volumes from the ABS.

5.3 Final use data – Policy options and analysis

This section provides a discussion of policy options related to final use data. EY's assessment of policy options is based on the POFR Act's primary policy objectives of maintaining fuel security and facilitating the publication of information relating to Australia's petroleum and other fuel markets.

Policy option 1 – Status quo

Final use data is not currently collected via the POFR Act to prevent an increase in regulatory burden. While its inclusion has the potential to enhance the policy's function by increasing the information available to policy makers, this trade-off is not considered essential to achieving the policy objectives of the POFR Act and would not create greater benefit than the regulatory burden imposed.

Policy option 2 – Development of final use data reporting regime

Option 2 can improve the limited transparency of information on final use purposes for retail and non-retail sales. Mandatory reporting of retail and non-retail sales broken down by various sectors would enable policy makers to understand the fuel usage of different sectors and identify shortages in particular sectors and among critical sectors. While this would enhance the quality of fuel information and facilitate better decision making by policy makers, it would also involve significant administrative burden on government including setting up clear definitions (i.e., retail, non-retail, supply chain definitions, sector breakdowns, periodic definitions etc.) and enforcing consistent reporting. The regulatory burden on industry would stem from firms' required upgrades of databases to improve the quality of retail-level data held, and imposition of processes to monitor downstream sales from their wholesale consumers.

5.4 Final use data – Policy discussion

Taking stakeholder feedback into consideration, it would appear that any benefits of final use data reporting would not be justified by the increase in administrative costs to both industry and government.

If regulators require a more complete picture of petroleum consumption for policy making purposes, they are currently able to request information from large suppliers on an informal basis, in addition to accessing annual reporting via NGER. A snapshot of the main consumers of petroleum may be a more productive exercise rather than extracting a time series on an ongoing basis. This would not require any amendments to the POFR Act but is an option for the government to investigate in their communications with industry. There are also distributional impacts from Option 2, with smaller businesses having a disproportionately higher level of regulatory burden than major suppliers.

5.5 Final use data – Finding and recommendation

Finding: 5.5 – Final use data

Final use data refers to consumption data from industries that are consumers of liquid fuel products. It could be of value to ascertain the volumes of consumption from different sectors in the Australian economy, which may be useful for fuel security purposes. However, the practical challenges of implementing this policy and the associated regulatory burden on reporting entities would be substantial.

Recommendation: 5.5 – Final use data

It is not recommended that the POFR Act be used to collect final use data for covered products.

6. Other Reporting Requirements

6.1 Sustainable aviation fuel

Introducing alternative fuels such as SAF as covered products under the POFR regime could allow for more accurate reporting and tracking of the development, sale and use of these fuels. This would provide for more accurate statistics of the availability of the production and use of these fuels in Australia.

Many airlines and other countries have interest in establishing targets to increase the usage of SAF over time. While the current levels of adoption have been low, it is likely to expand in popularity in both Australia and overseas in order to reduce emissions. Like other aviation fuels, SAF does not have an Australian quality standard. Instead, the International Air Transport Association oversees technical certifications for SAF. The POFR Rules may require a definition of what constitutes SAF so that it can be incorporated into submissions in a robust manner.

6.1.1 Sustainable aviation fuel – Stakeholder engagement

Some stakeholders were in favour of identifying SAF in its own category, as it would provide information on its market penetration and potential viability, rather than being combined with other fuels. However, other stakeholders were against it, claiming that it is not critical to the overall fuel system currently and would add to the current levels of regulatory burden under the POFR Act.

Other stakeholders were opposed to introducing a dedicated SAF category because SAF is commingled in storage infrastructure with other aviation fuels, and so it is difficult to isolate the exact quantity produced and sold. Additionally, depending on the blend ratio, it can be burdensome to calculate SAF usage before it is pumped into an aircraft. They communicated that because SAF is early in development, and currently has limited production in Australia, policy decisions should necessitate further investigation and consultation with the petroleum and aviation industries.

6.1.2 Sustainable aviation fuel – Policy options and analysis

Currently, SAF is reported under *Biofuels – Other*, which contains different niche fuels not already captured by another heading. The option to create a specific category for SAF, as opposed to using an entry that is combined with other fuels, will allow for more accurate tracking of SAF supply in the domestic market. It may also reduce industry confusion on the reporting of SAF and reduce under-reporting in data.

Policy option 1 – Status quo

Under Option 1, SAF is reported under the *Biofuels – Other* category. As outlined, this may lead to industry confusion and under-reporting. It will also not provide for dedicated statistics on SAF, meaning industry participants must use other sources to estimate the supply of SAF.

Policy option 2 – Introduce a dedicated category for SAF

Creating a specific category for SAF will mean that reports will be transitioned from the *Biofuels – Other* category to a dedicated entry. This will allow for a greater level of tracking on the availability and production of SAF.

In comparing the policy options, it appears that option 2 would create greater benefits than option 1. Due to the number of stakeholders who showed interest in tracking the demand and production growth of SAF over time, enabling the publication of these statistics through the POFR Act would allow for increased market awareness. It is also unlikely to cause a significant increase in regulatory burden from the status quo because SAF is already subject to reporting as a biofuel. As such, the benefits from more accurate data are likely to justify the cost imposed on suppliers from changes to reporting processes.

6.1.3 Sustainable aviation fuel – Finding and recommendation

Finding: 6.1 – Sustainable aviation fuel

Despite currently forming a small portion of aviation fuel demand, creating a category for SAF in the POFR Rules would be beneficial for market participants and policymakers in tracking future production and to increase the accuracy of statistics.

Recommendation: 6.1 – Sustainable aviation fuel

It is recommended that SAF be given a dedicated category for reporting under the POFR Rules.

6.2 Natural gas

The IEA conducted an in-depth review of Australia's energy policies in 2018. In their report, the IEA recommended that the government of Australia should 'implement mandatory reporting for liquid fuels and consider its extension to natural gas and all other sources of energy'.²⁶

An extract from p 34 of the report is shown below:

'Reporting obligations are introduced by the Petroleum and other Fuels Reporting Bill 2017, which were adopted by the Australian Parliament in 2017. However, the new mandatory reporting scheme mainly covers liquid fuels and does not help address the existing gaps in relation to natural gas data (particularly with regard to production and storage) and to coal data by type and energy content at this stage.'

This resulted in the final recommendation to 'Implement mandatory reporting for liquid fuels and consider its extension to natural gas, and all other sources of energy'. Natural gas is seen as an important source of energy, particularly as coal power capacity diminishes in future. Given the expansion of production in recent years, reporting was emphasised as a means to inform market participants of usage levels and potential areas for investment.

The broad purpose of the IEA's paper was to provide actions that can improve Australia's energy security. At a high level, this is aligned with the objects of the POFR Act. However, consideration should also be made to how extending the scope of the POFR Act will affect industry and their existing obligations under other regulations.

In the European Union, reforms in 2014 mandated the reporting of wholesale energy products in relation to the supply of electricity or natural gas with delivery within the Union and any related financial derivatives. Across the United States and New Zealand, there are no reporting requirements for natural gas.

Currently, National Gas Rules are regulated by the Australian Energy Market Commission (AEMC) at a wholesale level. Natural gas is also undergoing reforms to the national regulatory framework, which includes expanding the scope for hydrogen, biomethane and other renewable gases. Other emphasis will be placed on price disclosure. The reforms will also see increased reporting on production information, liquefied natural gas export transactions and key information on gas infrastructure.²⁷

Stakeholder feedback indicated that natural gas reporting is administered by the National Offshore Petroleum Titles Administrator (NOPTA) through the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* and other resource administration rules. These regulations help to maintain energy security of natural gas and could be used to report information on fuel security and usage. Government stakeholders indicated that further reporting on the holding stocks of natural gas at Liquefied Natural Gas facilities could be useful to convey the amount of gas that is held onshore and create a more complete overview of the natural gas system. While this may not be feasible to achieve

²⁶ International Energy Agency (2018), 'Energy Policies of IEA Countries – Australia 2018 Review'

²⁷ DCCEE (2022), *Extending the national gas regulatory framework to hydrogen blends and renewable gases*

through amendments to the POFR Act, it remains a consideration for other related pieces of legislation.

6.2.1 Natural gas – Policy options and analysis

Policy option 1 – Status quo

Under the status quo, natural gas (apart from natural gas liquid, compressed natural gas and liquified natural gas) will not be on the list of covered products. Other existing reporting obligations are outlined in the above section.

Policy option 2 – Introduce natural gas as a covered product

This option involves the expansion of the POFR Act to include natural gas alongside the other liquid fuels.

6.2.2 Natural gas – Finding and recommendation

Finding: 6.2 – Natural gas

Natural gas was considered for inclusion to the POFR Act due to the International Energy Agency's recommendation in their 2018 review of Australia's energy policies. It was found that natural gas has sufficient coverage under other legislation outside of the POFR Act and so enforcing reporting requirements would be duplicative and increase regulatory burden.

Recommendation: 6.2 – Natural gas

It is not recommended that natural gas be made a covered product under the POFR Act or Rules.

6.3 Mandatory reporting of sales to retail volumes

Since the introduction of the POFR Act, most wholesalers have voluntarily reported sales to retail volumes. In recent times, reporting has declined, leading to a reduction in the quality of data available to the department and the need to manually intervene or estimate various figures. The benefits of this reporting would be to capture sales towards the end of the supply chain, which would improve the consistency of data and estimation of retail demand. One issue is that some suppliers do not always have visibility of end use, so they may find it difficult to distinguish between wholesale and retail sales.

We received mixed feedback on this issue from consultation. Government stakeholders were in support of mandating reports for sales to retail, as the department relies on this data to understand downstream markets and to estimate fuel use and emissions by various sectors and activities. In addition, they expressed the utility of this data to inform emissions estimates under Australia's international reporting conventions.

Stakeholders who already report sales to retail voluntarily were open to mandatory obligations, as it would not add to their regulatory burden. In general, they emphasised the need for government to utilise this data and communicate the specific purposes of information to justify its collection.

Another stakeholder was against this conversion, claiming that it may not help POFR submissions achieve their original objectives. They claimed that mandatory reporting requirements can be a blunt instrument, where it can be unclear if data submissions have a meaningful contribution to policymaking. In questioning the utility of retail sales, they claimed that supply at terminals is more important, and this information is more relevant for local and state governments than at a federal level.

Similarly, other stakeholders also opposed this notion, claiming that it is a greater burden for small- and medium-sized business than for the major suppliers. Because many smaller firms rely on cooperative, dealer and commission agent agreements, the burden of compliance is greater for these companies to obtain this information compared to a vertically integrated operation.

6.3.1 Mandatory reporting of sales to retail volumes – Policy options and analysis

Policy option 1 – Status quo

Under Option 1, sales to retail will continue to be reported on a voluntary basis. As discussed, this can cause issues with data accuracy when suppliers do not participate and as a result the department may need to estimate various figures.

Policy option 2 – Make sales to retail reporting mandatory

In converting sales to retail reporting from voluntary to mandatory, suppliers who currently report voluntarily will be unaffected, whereas those who do not currently report may face an increased burden. The department will have more complete information on sales to retail, allowing them to compile a more accurate total of sales to retail across the market.

6.3.2 Mandatory reporting of sales to retail volumes – Finding and recommendation

Finding: 6.3 – Mandatory reporting of sales to retail volumes

Sales to retail volumes are currently reported on a voluntary basis. In recent times, participation in this measure has declined, leading to a decrease in the quality of data available to the department.

Recommendation: 6.3 – Mandatory reporting of sales to retail volumes

It is recommended that sales to retail volumes reporting be converted from voluntary to mandatory, in order to improve data quality.

6.4 Reporting timing

Section 18 of the POFR Rules sets out the reporting periods and when reports must be given:

- Each financial year: Wholesaling petroleum coke, or holding stock of petroleum coke, other than input stock or output held at an Australian refinery
- Half-yearly: Wholesaling greases, lubricants, base oils, waxes and solvents (GLOWS), or holding stock of GLOWS, or holding input stock, working stock or output stock at an Australian GLOWS facility
- Monthly: Any covered activity not covered by another item shown above.

The timing of reporting differs between GLOWS and non-GLOWS products. GLOWS products are typically fuel related products which have a lower risk associated with supply disruptions relative to transport fuels and are therefore reported at half yearly intervals. In contrast, non-GLOWS products (except for wholesaling or holding stock of petroleum coke) are typically fuels and refined products that are reported on a monthly basis in line with the publication of the APS and obligations under the IEA treaty. This review has chosen to evaluate these timings separately and consider both stakeholder feedback and other recent regulatory changes.

6.4.1 Reporting timing – Non-GLOWS products

As above, currently most covered products are reported on a monthly basis. However, due to uncertainty created by the pandemic, the department requested voluntary weekly submissions of data for some covered products of the POFR Act to improve the monitoring of the market from 2020–2022. Many suppliers who were asked participated from the outset, and some gradually ceased providing weekly reports over time. The information was used by federal and state/territory government for domestic oversight. Internationally, the IEA requested more frequent reports throughout the pandemic where possible, but it was not compulsory.

The increased submission frequency indicates that some suppliers would have the capacity to report partial data on liquid fuel stocks on a weekly basis, and that there could be benefit in mandating this frequency under the POFR Act. For example, greater frequency could improve the government's visibility of petroleum stockholding and market activity, thereby improving their decision-making capability.

This is especially prevalent during potential liquid fuel disruptions. It should be noted that a concurrent review into the Liquid Fuel Emergency Act, which allows for special interventions during a declared fuel emergency event, is investigating more frequent mandatory reporting. This additional reporting would be restricted to periods of potential or actual liquid fuel emergencies in Australia and may employ the POFR framework to collect this information. By replacing the current broad power in the Liquid Fuel Emergency Act for the Minister to request statistical information, this proposed reform seeks to balance industry concern on reporting burden by only seeking additional information when necessary.

In terms of regulatory burden, stakeholders highlighted an increased cost associated with this reporting interval during the pandemic. A weekly reporting frequency was seen to create materially higher costs for industry compared to monthly. Additionally, the department conveyed that there would be higher costs for government to administer these requirements, especially if the data collection were broader than stocks.

In future, a subset of stocks data will be reported under Subdivision D of the POFR Rules, following the Petroleum and Other Fuels Reporting Amendment (Minimum Stockholding Obligation) Rules 2022. This amendment has been made to enforce reporting of MSO activities for the relevant liable entities under the Fuel Security Act. For domestic refineries and major importers, stocks of petrol, diesel and jet fuel must be reported fortnightly from mid-2023, and weekly from mid-2024. These reports are maintained alongside the POFR Act, which currently mandates monthly submissions for those products. Despite being implemented through the POFR Rules, these amendments were derived from the Fuel Security Act, and so evaluating the implications of the MSO and the associated changes to reporting frequency were left out of scope for this review.

The conclusions from stakeholder feedback and the associated analysis on this issue are synthesised within Finding 6.4. Because the future changes to reporting frequency have already been established, we did not consider it necessary to evaluate policy options for changes to reporting timing for non-GLOWS products.

6.4.2 Reporting timing – GLOWS products

Differing from other covered products, GLOWS are reported twice a year. The inconsistency has emerged where reporting frequencies have been misaligned between GLOWS and other products. While less frequent reporting for GLOWS was assumed to reduce regulatory burden and data processing, in practice industry has expressed that this may not be the case. From the government perspective, it is more useful to receive statistics on a monthly basis in line with most other covered activities. Industry participants have also expressed this, noting that it is more convenient and practical to extract figures once per month rather than twice a year.

6.4.3 Reporting timing – Policy options – GLOWS products

Policy option 1 – Status quo

Under the status quo, GLOWS products will be reported every six months, while non-GLOWS products are reported on a monthly basis.

Policy option 2 – Align GLOWS reporting with non-GLOWS products

This option entails GLOWS reporting occurring monthly as opposed to every six months, to ensure that reporting is in line with non-GLOWS products.

Due to the consensus feedback received from stakeholders that supported GLOWS products being reported in line with non-GLOWS products, it is clear that option 2 would be preferred by both industry and department. This is reflected in the finding and recommendation below.

6.4.4 Reporting timing – Finding and recommendation

Finding: 6.4 – Reporting timing

At present, the POFR Act and Rules cover a wide range of products and activities. For certain products, a monthly reporting interval is appropriate. Under the MSO, a subset of stocks data will have more frequent reporting intervals going forward, reflecting the critical need for this data to assess compliance with the MSO. Increased reporting may also be beneficial during a potential or actual fuel emergency. More frequent reporting allows for better monitoring of the market, however it is also associated with higher administrative burden for industry and government.

Greases, lubricants, base oils, waxes and solvents (GLOWS) have been reported twice a year, however stakeholders conveyed that it is preferred to report every month to achieve consistency with other covered products.

Recommendation: 6.4 – Reporting timing

It is recommended to modify reporting frequency for GLOWS to be monthly, in line with most covered activities and products. This approach gives a more regular stream of data for the department and Australian Petroleum Statistics. It also reduces the risk of any data quality issues associated with extraction every six months. For non-GLOWS products, no changes to timing are recommended.

7. Conclusion

The POFR Act and Rules are important regulations to maintain oversight of fuel supply as they inform the accuracy and reliability of the Australian Petroleum Statistics. In its first five years of administration, the POFR Act has successfully met its objectives. This review finds that the set of covered activities and products are appropriate for the Act's purposes, however the proposed recommendations herein can improve outcomes for industry and regulators. The department has also made significant progress to improve the efficiency of data submissions through the introduction of online reporting via the Liquid Fuels Gateway and other efforts to educate and inform businesses of their responsibilities.

To reduce the levels of burden created by submissions, some changes have been recommended, such as aligning timeframes for GLOWS products. Converting sales to retail categories from voluntary to mandatory is necessary to improve the quality of statistics. Although consideration of final use data was warranted, ultimately it was seen to create obstacles for accurate data and would not create net benefits. To ensure transparency of the market going forward, and to mitigate the impact of potential supply disruptions, DEF and TGU have been recommended to be covered products. As they are critical consumables, timely information on these volumes can assist market participants in securing ongoing supply. Similarly, transitioning SAF into its own category of reporting may enable greater awareness on the adoption of this emerging product, and inform future strategies surrounding the sector. While natural gas was an area of focus, it was found to be sufficiently covered by other regulations outside of the POFR Act.

In future, it is likely that the POFR Act will increase in importance, due to the growing consumption of liquid fuels in Australia and changes in global factors. These trends underscore the criticality of the Australian Petroleum Statistics to inform government, industry and other market entities. By overseeing a mandatory regime for fuels reporting, the POFR Act and Rules enable the monitoring of fuel security and compliance with international agreements.

Appendices

Appendix A: List of stakeholder questions

| Topic | Background | Question |
|------------------------|---|---|
| Statutory requirements | <p>Fuel information means: a) any raw data, or any value added information product, that relates to covered activities, the quantity, quality or characteristics of covered products; or any metadata that includes contextual information relating to covered products (such as the location, control and ownership of covered products).</p> <p>A covered product is defined as: crude oil, condensate, liquified petroleum gas, natural gas liquid, gasoline, diesel, kerosene, fuel oil heating oil, naphtha, compressed natural gas, liquified natural gas, an oil, lubricant or grease, paraffin wax, a petroleum-based solvent, petroleum coke, bitumen, biofuel, and hydrogen.</p> <p>A covered activity is defined as: producing, refining, wholesaling, holding stock of, importing, exporting or any other activity, in relation to a covered product.</p> | <p>Is the definition of fuel information appropriate? What other information could be collected under the Act?</p> <p>Is the list of covered products sufficient? Should any products be added or removed from the series?</p> <p>Is the definition of covered activities appropriate? What other activities could be candidates for reporting?</p> |
| DEF | <p>Critical consumables are products that are essential to securing an adequate level of fuel security in the domestic market. Given the recent supply shortage of Diesel Exhaust Fluid (commercially known as AdBlue), we are exploring whether this product is appropriate for reporting obligations, and are interested in any other additives that may fall under this category.</p> | <p>Should DEF or any other critical consumable be included under the POFR Act?</p> |
| Final use data | <p>Demand-side data refers to information about the specific consumers of petroleum. At present, the POFR Act covers sales to retail from a business-to-business standpoint. In order to collect business-to-consumer information, the data collection duties would have to be expanded. Other sources for related information include the ABS, ATO and ACCC, through these vary in the level of granularity and frequency of publication.</p> | <p>Is it feasible to collect demand-side data on business-to-consumer sales? What would be regulatory burden for consumers and suppliers?</p> |
| Industry consumption | <p>It may be of interest to know which sectors are consuming petroleum, DEF or additives so that in the event of a supply shortage, resources could be directed towards them. Critical industries could include but are not limited</p> | <p>Is it feasible to report how much petroleum and other products certain industries are consuming? Is this an appropriate role for regulatory oversight?</p> |

| | | |
|------------------------------------|--|---|
| | to agriculture, mining and emergency services. | |
| Standardising reporting timeframes | GLOWS includes wholesaling greases, lubricants, base oils, waxes and solvents. Under the Act, reports must be given on the holding stock of GLOWS, input stock, working stock or output stock at an Australian GLOWS facility every six months. In contrast, wholesale petroleum coke, or holding stock of petroleum coke other than input or output stock held at an Australian refinery must be reported each financial year. Finally, any covered activity not covered by another item mentioned above must be reported monthly. | Should the frequency of reporting be standardised across the covered products? In particular, should the GLOWS products be reported monthly in line with other fuels? |
| Mandatory reporting duties | Since the introduction of the Act, most companies have voluntarily reported sales to retail volumes. In recent times, participation in this measure has declined, leading to a reduction in the quality of data available to the department and the need to manually intervene or estimate various figures. | Should sales to retail volumes be converted from voluntarily reported to mandatory? |
| Natural gas | Companies who report gas production to the National Offshore Petroleum Titles Administrator (NOPTA) are not bound to report under the POFR Act. NOPTA requirements are not as comprehensive as the POFR Act. The International Energy Agency has recommended making natural gas a covered mandatory product in their 2018 review of Australia's energy policies. | Should natural gas be a covered product? |
| Alternative fuels | We are exploring whether it is beneficial to include other fuels not currently covered under the Act. SAF is a product that currently has low levels of production but its usage is projected to increase going forward. Including other fuels such as SAF could provide a clearer comparison of the availability and usage of these fuels in Australia with other markets. | Should the POFR Act cover SAF and/or other alternative fuels not currently covered? |

Appendix B: Independent Review Terms of Reference

In precise terms, EY's terms of reference for this review involves assessing:

1. the appropriateness and relevance of the objectives and purpose of the pieces of legislation including consideration of:
 - a) the extent to which the pieces of legislation have been able to meet their objectives and purpose.
 - b) options to improve the pieces of legislation in meeting their objectives and purpose, or to otherwise better support Australia's fuel security that:
 - i. are efficient and effective
 - ii. allocate roles and responsibilities to those best placed to deliver outcomes, e.g. government, industry and community
 - iii. are appropriate in the context of the fuel security legislative framework, including new pieces of legislation enacted since the pieces of legislation were made/amended
 - c) other relevant matters, which may include environmental, health, technical and regulatory issues.
2. the appropriateness of further aligning the pieces of legislation with other Acts to further prepare Australia to respond to fuel disruptions and reduce regulatory burden.
3. any consequential amendments to be made to other relevant laws.

The consultancy will be supported by a policy team in the department and assisted by advice obtained from states, territories and industry representatives.

The independent review will commence in 2022, and the reviewer will provide a final report to the Minister in the third quarter of 2022.

The independent review will, as relevant, consider:

1. all relevant legislation and associated explanatory materials
2. consultations with industry, the community, and relevant Commonwealth, state and territory agencies
3. reports from studies relevant to the review
4. any other relevant material.

The independent review will meet the requirements of the Australian Government Guide to Regulation, answering the seven Regulation Impact Statement questions.

Appendix C: List of covered products

Under the POFR Act, covered products include:

- a) crude oil; or
- b) condensate; or
- c) liquefied petroleum gas; or
- d) natural gas liquid; or
- e) gasoline; or
- f) diesel; or
- g) kerosene; or
- h) fuel oil; or
- i) heating oil; or
- j) naphtha; or
- k) compressed natural gas; or
- l) liquefied natural gas; or
- m) an oil, lubricant or grease; or
- n) paraffin wax; or
- o) a petroleum-based solvent; or
- p) petroleum coke; or
- q) bitumen; or
- r) biofuel; or
- s) hydrogen; or
- t) any other fuel prescribed by the rules for the purposes of this paragraph; or
- u) any other fuel related products prescribed by the rules for the purposes of this paragraph.

Section 6 of the POFR Rules prescribes the following fuels as an extension to part t) of the above list:

- a) natural gas;
- b) ammonia that is intended to be converted into hydrogen for use as a transport fuel;
- c) refining-related gas (other)
- d) fuel that is refinery feedstock (other)

Regarding part u), any fuel-related product that is refinery feedstock (other) is prescribed as a covered product, to the extent that it is not covered by another paragraph of that definition.

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