



AUSTRALIAN PETROLEUM MARKETER NEWS

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**WELCOME TO THE YEAR OF THE
DRAGON
WILL IT BE YOUR YEAR?**

Petroleum Marketers can once again anticipate a year filled with challenges. It will be a year when some of the challenges will severely test the skills and resources of not only the whole Australian petroleum industry, but in particular it is likely to stretch the wholesaler (Distributor) and retail networks.

The European political and economic crisis will squeeze the availability of finance in Australia and will also undoubtedly place pressure on our interest rates.

World petroleum pricing remains on a knife edge as Iran continues to thumb its nose to world opinion and fears about its nuclear development programs. Its threat to blockade the Straits of Hormuz has the potential to push petroleum prices to levels we have not before experienced in Australia. Interestingly though, world oil

prices are already experiencing price escalation, with that rate of escalation being dampened by reduced European demand and the strength of the Australian dollar.

A further serious threat from the Middle East is the U.S and Israel public pronouncements that they will not permit Iran to build atomic weapons. This simple statement obviously means military intervention. Should military intervention occur it will undoubtedly have the effect of pushing prices upwards towards \$US200 per barrel, or in more understandable language, an effective doubling of our current wholesale prices for petrols and diesel.

Other localised challenges will come from – a threat to diesel supply from inadequate national storage (now down to the alarming level of (14) days cover, with all of our refineries coming under threat due to it being cheaper to import than refine here in Australia; some of the oil majors continuing with restrictive supply agreements that belong to a bygone era; escalating debtor ledgers (caused by price escalation) that a great number of distributors will have difficulty in funding; the retail market continuing to be dominated by the manipulative “Price Cycles,” with the two major supermarkets continuing to squeeze out effective competition through escalating loyalty consumer discounts ranging over 4cpl to 30cpl; all of which issues are overseen by an impotent industry watchdog – the ACCC and its Petrol Commissioner.

These are just some of the major issues that Petroleum Marketers will face over the Year of the Dragon.

Although, it is not all doom and gloom.

We have an escalating economy due to the mining boom, which has caused diesel sales to rise by 9%, with their being huge opportunities being created for petroleum marketers within the infrastructures of the mining and gas booms. Also too, we are fortunate that we operate within what is essentially an essential service industry, which by its nature provides some economic protections for those who are astute enough to ride out and capitalise on the challenges..

We wish you all a happy and successful Year of the Dragon.



ETHANOL MADNESS! NSW GOVERNMENT PUSHING THROUGH A 10% MANDATE

In spite of the limited supply of ethanol and the complexities of cross state border supplies, and increased cost to consumers, together with increasing opposition to its introduction, the NSW Government is pushing ahead, as the only State to do so, with the introduction of a mandate of 10% ethanol/Unleaded blend (E10), thus removing Unleaded (ULP) from the market in NSW.

There is no doubt that there is general support for the promotion of a viable biofuels industry in Australia. However, that support will be lost if common sense is not used in its development and introduction to the consumer petroleum supply chain.

It does appear as though the NSW Government may not have consulted widely enough with not only the ethanol producers but the general petroleum industry.

The petroleum supply chain in Australia is complex, with every State being involved in cross border supply arrangements. NSW in particular, receives petroleum supply from Victoria, Queensland and South Australia, which are not similarly mandated for ethanol supply.

This immediately raises questions of the legality of the mandate under Section 92 of the Constitution.

If any mandate is to be imposed within the petroleum industry, and there are many who believe it should not, common sense and the practical reality of petroleum supply lines in Australia, dictates it should be done at a Federal Government level.

If the current legislation prevails the Energy Minister – Chris Hartcher, will undoubtedly be inundated with applications for exemptions from the Mandate.

The prime concern for consumers however, is that mandating will impose additional costs by forcing those who cannot use E10, or when it is frequently unavailable, onto the higher grade and much more highly priced alternatives. The boating fraternity too, because of the incompatibility with water of E10, will be immediately forced onto the higher more expensive grades.