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AUSTRALIA will get an extra 780 megalitres of onshore diesel storage and the struggling local oil refinery industry will get a rescue package under a \$211 million announcement to be made by the government today.

To be part of next month's budget for 2020-21, the government has announced a suite of measures designed to expand and prop up Australia's sovereign fuel storage and refining capabilities.

The additional diesel storage is set to cost \$200 million, to be built through a grants program, with state governments and industry to match the federal government grants.

New legislation will also be introduced to create a minimum stockholding obligation for key transport fuels, a measure the government says will increase diesel stocks by eight days and provide a minimum cap of approximately 24 days for petrol stocks and jet-fuel stocks.

Responding to crisis calls from Australia's four oil refineries, the government has also promised to start designing a refinery production-payment plan, which is aimed at keeping refineries viable into the future.

COVID-19 has hit Australia's oil refineries hard through reduced movements both domestically and in aviation, with VivaEnergy threatening shutdown of its Geelong refinery, and the loss of 700 jobs, without government support.

This government announcement seeks to both answer national security and domestic industry problems, with the government also promising the measures will place downward pressure on fuel prices for consumers.

"Fuel security underpins our entire economy. Not only does it keep Australia moving, the industry supports thousands of people across the country and this plan is also about helping keep them in work," Prime Minister Scott Morrison said.

"Like all sectors of the economy, the COVID-19 pandemic is having an impact on Australia's fuel industry. The events of 2020 have reminded us that we cannot

be complacent. We need a sovereign fuel supply to shield us from potential shocks in the future."

Energy Minister Angus Taylor said the government was making sure Australia had control over its fuel security.

"Almost all Australians are reliant on fuel and it is the lifeblood of so many sectors in our economy," Mr Taylor said.

"Our farmers and miners rely heavily on diesel to do their jobs and provide services, while the transport sector sources 98 per cent of its energy from liquid fuels."

The government faced criticism in April after it announced it was spending \$94 million on oil to take advantage of low global oil prices, but the crude oil would be stored in the United States.

Under the International Energy Agency agreement, Australia has committed to having 90 days worth of fuel reserves, but Australia uses offshore and on sea fuel reserves as part of its reserves.

The government says the new measures will add around 10 days worth of diesel stocks to its compliance total and in July Australia had 84 days worth, including stocks on water.

Labor has criticised the government on fuel security and called for a fuel reserve in Australia, securing the viability of refining capacity and plans to decrease reliance on imported fuel, through means like electric vehicles.