APAC biofuel consultants
A JOINT VENTURE OF ENERGYQUEST AND ECCO CONSULTING

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AUSTRALIAN BIOFUELS – Still going nowhere!

Australia's biofuels industry remains dormant– COVID aside. The industry has not seen any new investment of significance over the past 10 years. There remains the need for a biofuel policy reset if the industry is to contribute to emission reduction of transport fuels in Australia. Bioenergy Roadmap to the rescue?

BIOENERGY ROADMAP

However, Australia is awaiting the release of the Federal Government's Bioenergy Roadmap to steer and recharge the biofuels industry towards a more viable future. After announcing the industry review in November 2019, the Government commissioned its agency, Australian Renewable Energy Agency (ARENA), to manage the Roadmap. In early 2020, ARENA contracted the French advisory, ENEA, as the lead advisory and supported by Deloitte (Australia) to consult with the industry and develop the Roadmap. Industry consultation took place in second quarter 2020 and APAC believes the final report was presented to the Federal Government early 2021. The Federal Government has not yet released the Roadmap.

GOVERNMENT EMISSION REDUCTION POLICIES

More broadly, readers may be aware that the current Australian Federal Government is struggling with implementing policies relating to renewables and emission reductions. However, in 2020 the Government announced that it was proposing to tackle climate change and emission reduction through improved technology developments and not through taxes! ARENA (https://arena.gov.au/), also the agency responsible for assisting the funding of new renewable projects, has been focusing its funding on other emission saving technologies relating to EV's, EV charging, solar, hydro and hydrogen. By comparison, new bioenergy projects seeking funds from ARENA currently appear to be very scarce.

NEED FOR BIOFUEL POLICY RESET

One of the most challenging issues facing the Australian biofuel and bioenergy sector is, according the APAC Biofuel Consultants, the need for the Australian Government to reset its policy support mechanisms. Since the early 2000's, nationally, the Australian biofuel industry has relied on (fuel) excise subsidies as the key support mechanism. This is combined with ethanol and biodiesel mandates in the States of New South Wales (6% and 2% respectively since 2007) and Queensland (4% and 0.5% since 2016). Neither State is achieving its' mandate targets and, enforcement is 'light'. There is no nationwide biofuel mandate. Fuel grade ethanol demand has been declining since 2013, currently just under 200 ML pa.

Now, there are only two ethanol producers in Australia down from three as of early 2020. With both remaining ethanol producers, production is part of a more integrated refining process from sugar and wheat.

Sourced from the three producers of scale, biodiesel production in Australia is currently minuscule at around 60 ML pa. Even with significant fuels excise concessions for home produced and consumed biodiesel, almost all of that production is sold into the export market (mainly EU) which offers better producer returns, especially with the more favourable USD/AUD exchange rate.

There is currently no renewable diesel or aviation production capacity of scale in Australia.

AUSTRALIA – SUPPLIER OF FEEDSTOCK TO INTERNATIONAL BIODIESEL AND SAF MARKET

Worth noting is that Australia is a significant source of feedstock into the international biodiesel/renewable diesel markets. In recent years significant volumes of Australian canola and tallow have been exported to the European and Singapore/USA biodiesel/renewable diesel markets. For example, in 2018 Australia exported sufficient feedstock into the international bio/renewable diesel market to produce in excess of 1,000ML (265 million gallons) of biodiesel/renewable diesel. Recovering from recent drought conditions, 2021 is also expected to be a bumper year for Australian oilseed growers, especially canola. Recent media reports in Australia are indicating that Australian canola producers see the EU as a continuing potential market for biodiesel production in 2021/22. It is estimated (by the carbon index) that the emissions of canola based renewable diesel is about half that of mineral diesel. Under investigation are other species of non-edible oilseeds that may also be produced in Australia for renewable diesel and renewable aviation fuels.

OPPORTUNITY FOR AUSTRALIA

This raises the proposition as to whether Australia should also join the world trend towards becoming a producer of renewable diesel and sustainable aviation fuel. There are ready markets for both fuels in Australia. Also, there are entities willing to consider investing in renewable fuel technologies in Australia - given the appropriate policy settings.

As for overall biofuel policy support, there are now well established international policy settings upon which Australia can use as a model. New Zealand has taken the lead and is currently planning to introduce a biofuel mandate later in 2021 or 2022.

WHY NOW THE WAIT?

So the Australian and international industry is waiting for the Australian Government to show the way forward, now, as a matter of urgency. For Australia, the Roadmap offers a rare opportunity to revisit it biofuel policy settings towards reaching net zero emissions by 2050. Delaying the release of the Roadmap continues only to create further investment uncertainty in the Australian biofuel industry.

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