

*Production and use of biofuels:
Australian perspective*

The Pacific Food System Outlook 2006-07
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Outlook for oil prices

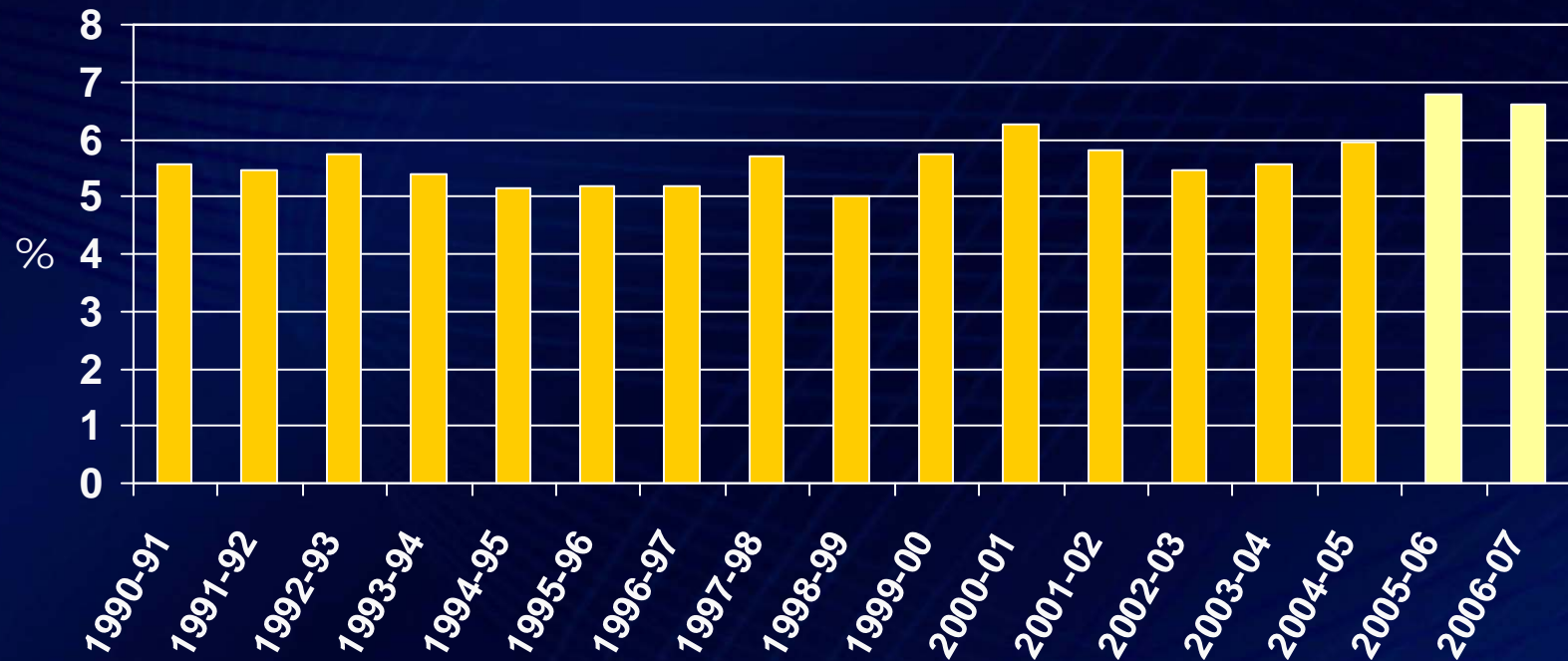
- Oil prices are likely to remain high or continue rising in the short term
- Decline in oil prices after 2010 due to supply response
- Beyond 2010, depends on assumptions about oil reserves and alternatives

Crude oil prices since 1970

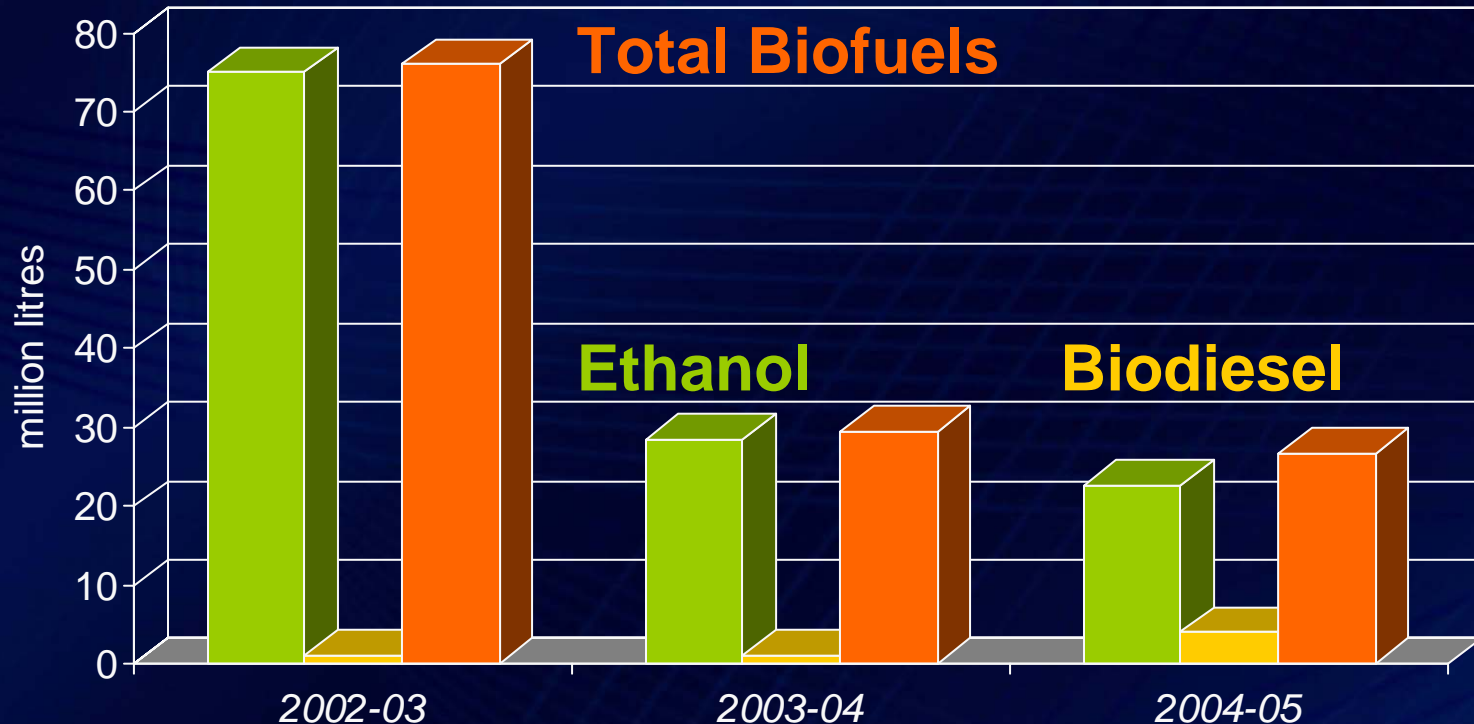


Impact of high oil prices

Fuel and lubricants as a percentage of total farm costs

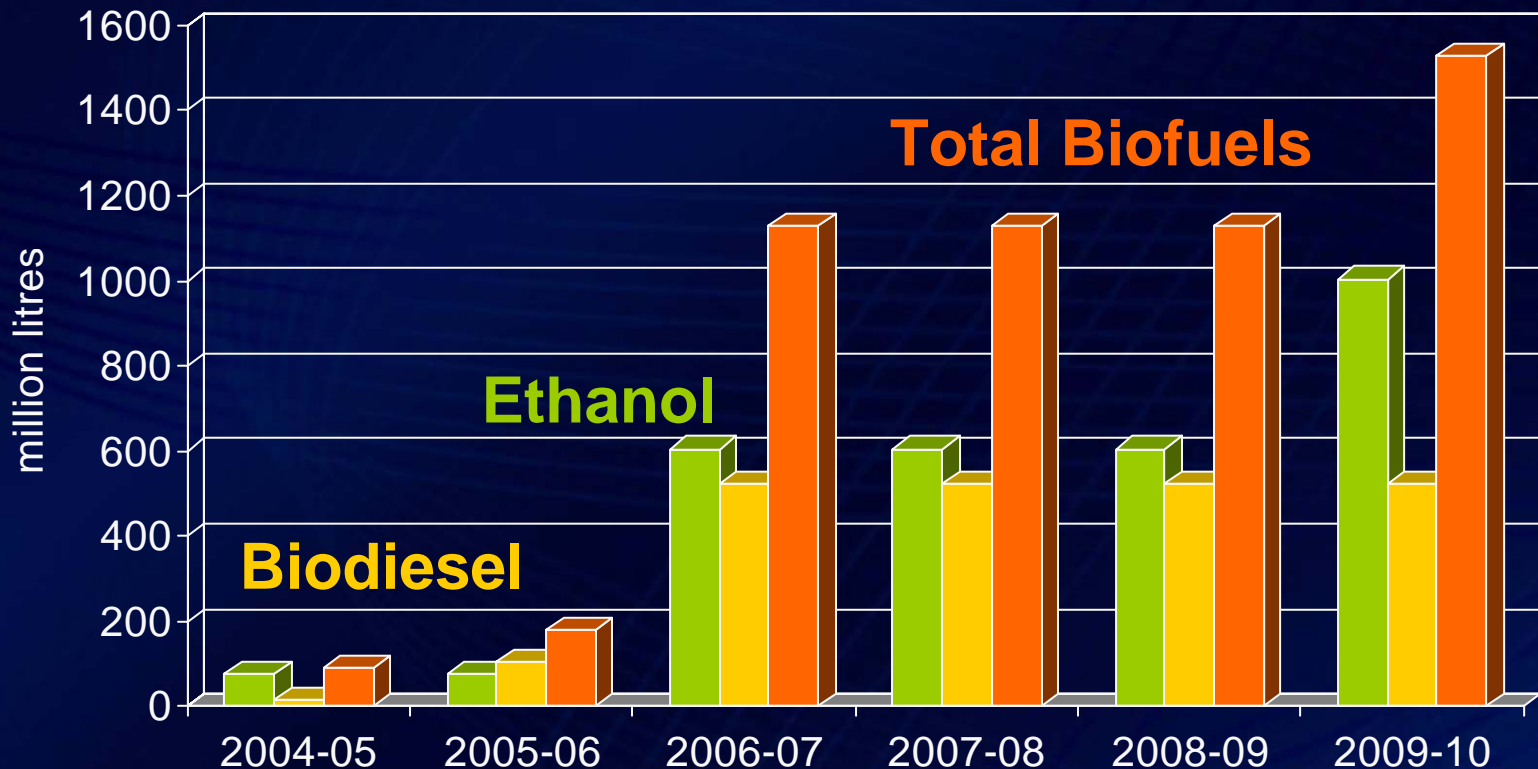


Estimated biofuels production



Biofuels production capacity

current and potential



Current levels of support

Production based

- 350ML Biofuels Target
- Production grants (tax exemption)
 - ▶▶ **38.1¢/L** between 2003–10; reduced to **25.6 ¢/L** (ethanol) and **19 ¢/L** (biodiesel) by 2015
- Biofuels Capital Grants Program
 - ▶▶ \$37.6 million between 7 plants
- Renewable Energy Development Initiative
 - ▶▶ \$100 million for new technologies

Current levels of support

Consumption based

- Energy Grants (credits) Scheme

Alternative fuel grant rates at 1 July, 2005 to 2010 (cents/L)

	2005	2006	2007	2008	2009	2010
Biodiesel	18.51	14.808	11.106	7.404	3.702	0
Ethanol	20.809	16.647	12.485	8.324	4.162	0

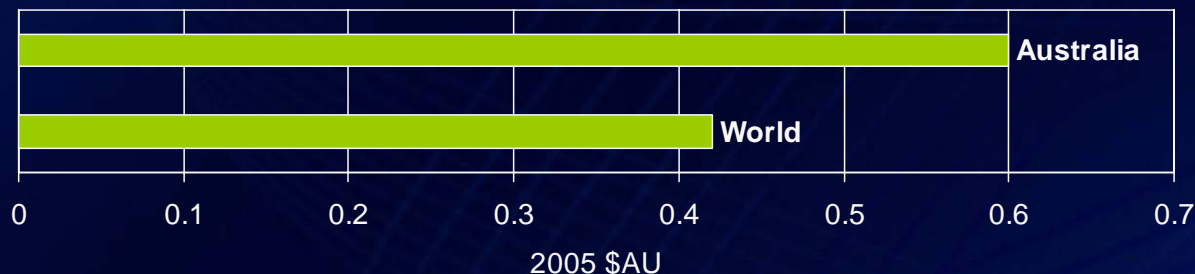
- State Government Support for Biofuels

- ▶▶ **QLD:** Assist ethanol industry
- ▶▶ **SA:** Increase biodiesel from 5% to 20% in trains and buses
- ▶▶ **NSW:** Use ethanol in government fleet vehicles
- ▶▶ **Local Government:** Biodiesel trials

Import competition for ethanol

- From 1 July 2011, domestically produced ethanol will have to compete with imports
- Current Australian ethanol price > world price
- Without efficiency improvements, many producers may not be competitive post-2011.

Ethanol price comparison, 2005



Consumer confidence

■ Ethanol

- ▶▶ Public concern about damage to vehicles from high concentration ethanol blends (20-30%)
- ▶▶ Needs simplified labelling; specification may only be necessary for >5% ethanol content
- ▶▶ Suitability of vehicles needs to be more simply and clearly presented to consumers.
- ▶▶ Lack of incentive for oil companies to invest/support biofuel industries

■ Biodiesel

- ▶▶ Needs simplified labelling
- ▶▶ Standard biodiesel mixes need to be established

Economy wide issues

- Alternative use of land
 - ▶▶ Food vs. energy
- Alternative use of feedstock and grains
 - ▶▶ Livestock vs. energy
 - ▶▶ Increased local competition
- Impact on agricultural trade
- Impact on energy trade
- Changes in world oil markets
- Potential impact of biofuel technology
 - ▶▶ Increase productivity

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