Australian Institute of Petroleum

# DOWNSTREAM PETROLEUM

# REDUCING GREENHOUSE GAS EMISSIONS

## KEY MESSAGES

- Climate change presents a significant risk to the environment, and therefore to the economy and society. AIP member companies support actions to advance climate science to improve understanding and reduce the risks from future impacts.
- AIP member companies support a broad-based national approach to encourage emissions abatement. Pathways to reduce emissions from production and use of liquid fuels include improved energy and vehicle efficiency, development and deployment of innovative technologies, and improved driver practices.
- Policy decisions must be based on sound scientific and economic analyses that recognise the risks, costs and benefits to society and the economy, as well as to the downstream petroleum industry.
- The future viability of Australian refineries, which contribute to Australia's energy security, will be dependent on maintaining the international competitiveness of Australian refined products.

The Australian Government has implemented a range of measures to meet its objective of reducing Australia's emissions by 26-28% of 2005 emissions levels by 2030. The centrepiece of the policy is the Direct Action Plan which aims to establish a market driven framework for abatement. The plan covers the main greenhouse gases, and provides financial support for least cost actions to abate emissions across the Australian economy. Measures have also been included to safeguard the abatement mechanism through provision of incentives for businesses not to exceed their historical emissions baselines.

As capital and energy intensive operations, Australian refineries continuously seek ways to improve operational and energy efficiency. As new abatement opportunities are identified and projects developed, they will be assessed for their potential to compete for support from the Emissions Reduction Fund. Petroleum refineries expect to compete for financial support available for abatement activities. Typical example projects for refineries might include butane capture or improved boiler efficiency. More significant abatement opportunities may arise during major maintenance activities or the design of new, replacement units at refineries.

AIP member companies will continue to work closely with the Australian Government on the downstream petroleum sector aspects of the Direct Action Plan. A key consideration is the ongoing competitiveness and viability of Australian refineries and Australia's future fuel supply security.

AIP continues to advocate that the baseline compliance measures in the Emissions Reduction Fund have the potential to increase direct and indirect petroleum refining costs in Australia.

Successive Australian governments have recognised the Emissions Intensive Trade Exposed (EITE) status of Australian refineries and it is critical that this is maintained.

**AUSTRALIAN PETROLEUM REFINERIES ARE ENERGY INTENSIVE OPERATIONS WITH SIGNIFICANT VARIATIONS IN ENERGY USE AND HENCE GREENHOUSE GAS EMISSIONS FROM YEAR TO YEAR**

To help maintain Australian refinery competitiveness, any assessment of emissions above a business as usual (BAU) baseline must take account of variations in refinery operations, and hence emissions, due to:

- changing market requirements and any disruption in refinery operations,
- regular and ad hoc refinery maintenance,
- refinery upgrades or changes flowing from regulatory actions by federal, state or local governments which result in increasing refinery emissions.

Since almost all liquid fuels imported into Australia come from countries which are unlikely to impose a carbon price on their refinery operations over the next decade, Australian refiners will be placed at an increasing commercial disadvantage to their overseas competitors if they become subject to excess emissions charges. As verified by the ACCC, import parity pricing of liquid fuels in Australia means that there is little scope to recover these additional costs from consumers, hence industry profits will be impacted.

## INTERNATIONAL LANDSCAPE

As participants in one of the world's most fiercely competitive markets, Australia's downstream petroleum industry has a keen interest in the international climate change policy landscape and any resultant domestic policies. As transportation emissions remain an area of focus, the industry has a central role in reducing emissions not only from its own operations, but more broadly in areas such as fuel conservation and alternative fuels.

**GLOBAL CLIMATE CHANGE NEGOTIATIONS REACHED A SIGNIFICANT MILESTONE AT THE PARIS CLIMATE CONVENTION AT THE END OF 2014**

Key to the Paris agreement is the recognition that all countries must play a role in meeting the challenge. The establishment of binding commitments through "Nationally Determined Contributions" (NDCs) from more than 160 countries each underpinned by domestic measures aimed at achieving them is a welcome pragmatic step, as is the commitment to regularly report and review progress. This provides nations with scope to meet their agreed targets in a manner that best suits their particular economic circumstances and development objectives.

However, the nature of each nation's relevant policies, their effectiveness, the differing targets and the timeframes for meeting those targets all remain uncertain. Similarly, the impact of other nations' climate policies on particular industries, including refining, may differ. For these reasons, Australia's domestic policies must take into account any potential competitive disadvantage to the trade exposed refining sector and ensure that measures are in place to maintain a level playing field.

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