



**Consultation on the Public Discussion Paper:
*'Mandatory Petroleum Data Reporting Regime'***

Submission to:

Department of Resources, Energy & Tourism

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KEY MESSAGES

- AIP welcomed the Government's announcement on 25 January 2013 to introduce a national mandatory reporting regime for petroleum statistics, and the commitment to detailed consultations with stakeholders on the design and implementation of the new mandatory reporting regime.
- For many years AIP has highlighted the need for improvements to the coverage and quality of the existing official petroleum data and has supported moves to develop a comprehensive petroleum dataset for Australia; this would provide more robust support to the assessment and monitoring of domestic liquid fuels supply in Australia and also provide a better basis for government policy and decision-making, including in relation to the management of national liquid fuels emergencies and to meet international obligations.
- In addition, AIP has also been a strong supporter of moves to consolidate energy data and reporting across the Australian Government under different legislation to reduce duplication for business and government.
- This support included a move to a mandatory reporting regime (MRR), if comprehensive data collection could not be universally achieved across industry through voluntarily action or if some market participants chose not to supply data to government. The Discussion Paper notes that efforts to achieve this have been unsuccessful.
- AIP member companies have supplied data voluntarily for many years and in this context AIP's support was predicated on the minimisation of additional administrative burdens for AIP member companies arising from the new MRR, and a presumption that design improvements and consolidation of petroleum data reporting across government agencies could reduce future workloads for all businesses.
- Thus, we strongly support the goals noted in the Discussion Paper of "*minimising additional regulatory burdens on reporting entities*" and "*negating the need for duplicate data*" (a 2012 Energy White Paper commitment) and we expect a firm commitment to these objectives by the Government throughout the MRR consultation process.
- These goals are achievable if the high level approaches in this submission are adopted, which are based on AIP's substantial experience and input into both the design and administration of the excise and customs reporting arrangements, and the design of the liquid fuels elements of NGERs and CEFP methodologies and legislation.
- **Overall, to ensure the stated MRR objectives are met, particularly a comprehensive and robust dataset and the minimisation of regulatory burdens for responders, AIP considers that MRR data should:**
 - **be supplied by all major businesses operating in the petroleum market and involved in:**
 - **primary fuel production, import and export (upstream producers)**
 - **finished/intermediate product manufacture, import or export (downstream producers/importers)**
 - **wholesale storage of fuels and entry of fuels into the market for 'home consumption (terminal operators, wholesalers and major distributors and end-users);**
 - **and with these businesses being responsible for reporting petroleum stocks which they own on the water or at facilities around Australia, consistent with the recommendation of the 2011 Liquid Fuels Vulnerability Assessment (LFVA); as a check and balance, the LFVA also recommended that terminal owners should advise importers of their responsibility to report to Government and for regular surveys be undertaken to ensure all new terminal storage is identified for MRR purposes;**
 - **cover the full suite of petroleum products, including to meet international reporting requirements;**
 - **be based on well established and tested (common) data definitions, methodologies and 'metrics';**
 - **take into account existing company databases for reporting under other government legislation;**
 - **be reported by business on a common reporting frequency (eg. monthly) and preferably electronically.**
- The MRR should capture data on petroleum and other feedstocks (eg. crude oil, biofuels) and associated petroleum products (e.g. petrol, diesel, jet fuel, LPG) which is in transit to and enters/exists in Australia, is moved and stored within the domestic supply chain, and is entered (sold) into home consumption.
- The customs and excise legislative and reporting framework already has clear established boundaries for petroleum entering and exiting Australia, and also entering domestic home consumption. This regime also requires the facilities of market operators (for importation, manufacture and bulk storage of petroleum products) to be licensed and regularly audited by the ATO. The excise definitions and methodologies have also been consistently and successfully applied to the NGERs and CEFP frameworks, and that is a good MRR starting point.
- There is a significant range of high quality (audited) data maintained in datasets with companies for financial, compliance and government reporting purposes. Specifically, businesses which are required to comply with the existing customs and excise regulatory requirements have developed systems which may minimise the additional regulatory burden of the MRR, if directly or indirectly utilised. Thus, current data non-reporters need to be encouraged to see how their existing datasets can be tailored to meet MRR needs as the priority, but in addition to within-Government consideration of data sharing across existing petroleum data reporting to Government
- The wide range and significant volume of high quality data collected for Excise, NGERs, APS etc purposes needs to be considered in detail for application to the MRR and any new data included in the MRR needs to be clearly justified, meet the Government's ongoing data needs, and clearly support a longer term regulatory function.

SUBMISSION BACKGROUND

About AIP

The Australian Institute of Petroleum (AIP) was established in 1976 as a non-profit making industry association. AIP's mission is to promote and assist in the development of a sustainable, internationally competitive petroleum products industry, operating efficiently, economically and safely, and in harmony with the environment and community standards. AIP provides a wide range of factual information and industry data to assist policy makers, analysts and the community in understanding the key market, industry and other factors influencing Australia's downstream petroleum sector. AIP is represented on key statutory and advisory bodies including the ATO Petroleum Corporate Consultation Forum (PCCF), the National Oil Supplies Emergency Committee (NOSEC), the Fuel Standards Consultative Committee (FSCC) and the Oil Stewardship Advisory Council (OSAC). AIP sponsors or manages important industry health and environmental programs and the Australian Marine Oil Spill Centre (AMOSC) is a wholly owned subsidiary of AIP.

AIP is pleased to present this Submission to the Department of Resources, Energy and Tourism on behalf of AIP's core member companies:

BP Australia Pty Ltd
Caltex Australia Limited
Mobil Oil Australia Pty Ltd
The Shell Company of Australia Ltd.

About AIP Member Companies

AIP member companies operate across all or some of the liquid fuels supply chain including crude and product imports, refinery operations, fuel storage, terminal and distribution networks, marketing and retail. Underpinning this supply chain is considerable industry investment in supply infrastructure, and a requirement for significant ongoing investment in maintaining existing capacity. AIP member companies have total assets valued at over \$16 billion dollars, and typically invest around \$1 billion each year to maintain the reliability and efficiency of fuel supply meeting Australian quality standards.

AIP member companies play a very significant role in delivering the majority of bulk fuel supply to the Australian market.

- In relation to conventional petroleum fuels, AIP member companies operate all major petroleum refineries in Australia and supply around 90% of the transport fuel market with bulk petroleum fuels.
- In relation to gaseous fuels, AIP member companies are the major suppliers of bulk LPG to the domestic market, representing around two thirds of the market.
- In relation to biofuels, AIP member companies are the largest suppliers of ethanol blended fuels and blended biodiesel to the Australian market.

As a result of these activities, AIP member companies are also very significant tax collectors for the Government. For example, payments to the Australian Government in 2010 (from fuel excise, GST on fuels and income tax) by AIP member companies were over \$19 billion. Fuel excise (over \$14 billion) provided around 5 per cent of taxation revenue to the Australian Government in 2010.

The Australian petroleum industry is a significant contributor to the domestic economy providing direct and indirect economic benefits from its own activities and underpinning the competitiveness of key Australian export industries like the mining, agriculture, forestry, fishing and manufacturing industries. In addition, as a technologically advanced industry, the refining industry employs and trains many highly skilled, technical staff and international expertise flows readily into the Australian workforce.

Given this background and their significant role in the Australian fuels supply chain and broader economy, AIP member companies have a very strong interest in consultations relating to government reporting activities which impact on the downstream petroleum industry, including the industry's ongoing operation, competitiveness and transparency, and also on the costs to the industry of doing business in Australia.

About AIP's Submission

AIP welcomes the opportunity to provide a submission to this consultation process and looks forward to ongoing consultation on the design, legislation and implementation of the MRR over the coming months.

Important background to this submission is that AIP member companies have been supplying downstream petroleum data voluntarily to the Government's *Australian Petroleum Statistics (APS)* for many years on a monthly basis. AIP's strong expectation is that generally the same data requirements will apply under the MRR.

Therefore AIP and its member companies bring a different background and focus to this Submission compared to current non-responders to the APS. We have focused more on the design and implementation of the MRR and data streamlining across government collection activities, rather than on new data requirements and availability. Obviously, current non-responders will need to be informed about the genuine value and benefits of a comprehensive petroleum dataset to government and the industry and also assess, amongst other things, their own internal data systems and data availability. That said, AIP's submission seeks to assist with the transition of current non-responders by strongly recommending that the MRR should take into account the databases that companies already hold for the purposes of reporting under other government legislation and to use common data definitions and methodologies which should be well understood by all market operators and current non-responders.

Additional context to AIP's submission is that it relates to petroleum data and issues relevant to the downstream petroleum industry and we expect that the Australian Petroleum Production & Exploration Association (APPEA) will make a submission addressing issues related to upstream production and data matters. Taken together, these two submissions should canvass the full suite of issues related to downstream and upstream petroleum data.

AIP's Submission generally follows the structure (chapters and sections) of the Discussion Paper and outlines AIP views and recommendations in relation to:

- Chapter 1: Introduction: The Need for a Mandatory Reporting Regime
- Chapter 2: MRR Elements
- Chapter 3: Australian Petroleum Data
- Chapter 4: Consultation and Next Steps

AIP's initial views on the 'stakeholder questions' provided as guidance in the Discussion Paper are all addressed in the main body of AIP's submission.

Should you have any questions in relation to this submission, or require additional information from AIP, the relevant contact details are below.

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AIP is happy for our submission to be made publicly available on the Department's website.

AIP member companies may also make submissions to this consultation, addressing specific matters raised in the consultation paper dealing with commercial and other data issues specifically related to those companies.

Chapter 1: Introduction

1.1 THE NEED FOR AN MRR FOR PETROLEUM DATA

With the significant developments and structural changes occurring in all aspects of the global energy market including the global and domestic crude oil and petroleum products markets, access to comprehensive, high quality and timely data and analysis is crucial for government, business and the community to monitor and assess market developments and their potential impact or otherwise on Australia, and also to make decisions on the basis of well-informed market assessments.

In this light, AIP has been a longstanding public supporter of coordinated Government efforts to:

- **develop higher-quality and a broader coverage of petroleum statistics, which is currently not the case under the *Australian Petroleum Statistics (APS)* – see Section 1.3; and**
- **more broadly, to consolidate and better coordinate existing petroleum data collection activities across the Government (ie. a comprehensive petroleum dataset), to reduce the data preparation and reporting burden on business.**

Consistent with this, AIP supported the priority actions identified in the 2012 EWP, namely:

- *“there is a need to improve the quality and coverage of the collection and publication of monthly national and state petroleum data through the Australian Petroleum Statistics”; “the data is collected on a voluntary basis, and requires review to improve its completeness, consistency and accuracy and to inform assessments of liquid fuel vulnerability. This will also improve the analytical capability of government and assist in reporting to the International Energy Agency.”*
- *“The government will strengthen the resilience of Australia’s energy policy framework by ... work to streamline and better coordinate existing data collection and assessment activities to reduce the burden on business”.*

For many years AIP has highlighted the need for improvements to the coverage and quality of the APS and has supported moves to develop a comprehensive petroleum dataset for Australia. **A comprehensive petroleum dataset will provide more robust support to the assessment and monitoring of domestic liquid fuels supply in Australia and also provide a better basis for government policy and decision-making, including in relation to the management of national and jurisdictional liquid fuel supply disruptions and to meet international obligations, as noted in the Discussion Paper.**

This support included a move to a mandatory reporting regime (MRR), if comprehensive data collection could not be universally achieved across industry through voluntarily action or if some market participants chose not to supply data to government. We understand Departmental efforts to achieve this with current non-responders has been unsuccessful, as noted in the Discussion Paper, and a mandatory approach is needed given the strong public interest and policy benefits of a robust petroleum dataset.

However, AIP member companies have supplied data voluntarily for many years and in this context AIP’s support was predicated on the minimisation of additional administrative burdens for AIP member companies arising from the new MRR, and a presumption that design improvements and consolidation of petroleum data reporting across government agencies could reduce future workloads and therefore minimise the cost of compliance for all businesses.

AIP therefore welcomed the Government’s announcement on 25 January 2013 to introduce a national mandatory reporting regime for petroleum statistics, and the commitment to detailed consultations with stakeholders on the design and implementation of the new mandatory reporting regime.

We also naturally welcomed and support the MRR goals identified in the Discussion Paper, of *“minimising additional regulatory burdens on reporting entities”* and *“negating the need for duplicate data”* and we expect a firm commitment to these objectives by the Government throughout the MRR consultation and development process. Our suggestions in this submission seek to support these goals.

1.2 AUSTRALIA'S PETROLEUM SUPPLY CHAIN

For MRR purposes, it is important to understand the petroleum supply chain, both into and within Australia, to understand where material volumes of petroleum are produced, manufactured, imported, stored and sold and also identify which businesses, activities and facilities would/should be within the scope of the MRR. Figure 1 in the discussion paper provides a good summary of the general petroleum import and output pathways.

In addition to the two AIP published charts included in the Discussion Paper, further information on Australia's crude oil and petroleum product supply chain is available from:

- AIP Website - <http://www.aip.com.au/industry/supplysecurity.htm>
- AIP Website - <http://www.aip.com.au/industry/supplyreliability.htm>
- AIP's 'Downstream Petroleum' publications - <http://www.aip.com.au/industry/facts.htm>.

Key petroleum supply infrastructure and relevant market operators are also identified in independent government reports including the Audit of Petroleum Import infrastructure and in annual ACCC monitoring reports on the petroleum industry (see <http://www.accc.gov.au/regulated-infrastructure/fuel/acccs-fuel-monitoring-role>).

1.3 THE AUSTRALIAN PETROLEUM STATISTICS (APS)

As noted in the Discussion Paper, "*the APS has been the subject of a number of internal Government reviews over several years*" and AIP has provided advice to some of these review processes.

This reflects the fact that AIP member companies have voluntarily supplied data to the APS on a monthly basis for many years and AIP has had significant involvement with the design and methodologies of petroleum datasets and collections for other government agencies.

Currently, the APS is the most timely and publicly available Australian petroleum dataset, recognising that AIP member companies still represent the lion's share of bulk fuel supply to the Australia market and their supply activities are currently collected and reflected in the APS.

That said, the growth of independent importing (including by major fuel users) and wholesaling activity in Australia, as noted in the Discussion Paper and reported by the ACCC each year, is making data coverage more of an issue now and will continue to over time, particularly for our international data reporting as already identified by the IEA and reflected in the Discussion Paper.

Moreover, the problems with the APS have been well recognised and communicated by AIP for some time. They have also now been well documented publicly, including in the Liquid Fuels Vulnerability Assessments, Energy White Paper and in this Discussion Paper, and include problems related to:

- *Data non-reporting* (coverage) – non-reporting by major downstream and upstream businesses involved in the fuels supply chain (ie. the Discussion Paper notes data is collected from 75 business, but 200 businesses could be within the scope of the MRR);
- *Data collection* (input) – unclear definitions and methodologies leading to incomplete or inaccurate reporting or categorisation, reporting of data on different basis, different data input templates, and paper based reporting by business;
- *Data quality* (consolidation) – as a result of non and incomplete reporting, but also related to the robustness and consistency of the APS database, including compared to other government datasets;

- *Data documentation, training and support* - the absence of comprehensive documentation, training and technical advice to support data reporting by responders;
- *Data output* (publication) – presentation of data in more meaningful and useful terms for key users and stakeholders, including a uniform monthly report, summaries of key national aggregates, longer timeseries of annual data, and dedicated jurisdictional reports for key aggregates.

AIP notes that many of these problems are acknowledged in the Discussion Paper and we welcome the commitment to resolve these under the MRR.

Notwithstanding the problems identified above, we also note that:

- the current data requirements of the APS reflect the needs of IEA reporting and this will be an ongoing requirement under the MRR and should be a key consideration in the required scope and form of data required under the MRR; and
- the scope of the APS still remains a suitable basis for the MRR (particularly in terms of the scope of the key data requirements), but the MRR clearly needs to address the data coverage, input and responder support issues with the APS noted above.

1.4 MANDATORY REPORTING REGIME – GENERAL APPROACH

In light of the above, AIP strongly supports the ‘overarching principles’ identified in the Discussion Paper to guide the MRR’s development and implementation, including that it:

- *“minimises the additional regulatory burden on reporting entities (consistent with COAG’s National Partnership Agreement to Deliver a Seamless National Economy)*
- *improves Australia’s petroleum data and addresses existing issues with the current APS*
- *fulfils Australia’s international petroleum data reporting obligations*
- *supports Australia’s domestic liquid fuels and related policy development and implementation.”*

AIP also welcomes and supports the statements in the Discussion Paper that:

- *“businesses in the petroleum market are already required to provide substantial information to various parts of the Australian Government to comply with existing regulatory requirements related to climate change, customs and excise”;* and
- *“Obtaining the information directly from relevant agencies or utilising the systems set up by business to comply with existing regulation may assist in minimising the additional regulatory burden on businesses of the Mandatory Reporting Regime.”*

In this light, AIP wishes to emphasise that our views reflected in this Submission (and in the future consultations) are based on AIP and member company substantial experience and input into the work of the ATO on the design and administration of the excise reporting arrangements, and also our substantial input into the design of the liquid fuels aspects of NGERs and the CEFP methodologies and legislation.

The focus of this work has been directed towards the use of ‘common definitions and methodologies’ for petroleum data, and maximising the use of existing corporate databases and systems which have very high levels of data accuracy and are subject to independent audit.

We have also learnt through these consultations that solutions that work for AIP member companies tend to work well for other market operators providing the same data, which is important given we expect around 90% of downstream MRR data will continue to come from AIP member companies.

Against this background, AIP recommends the best ‘general approach’ to be taken to MRR design and development is an approach that will deliver the majority/baseload of data required by government, and then consider any special provisions to cover elements and responders not fully aligned with the main MRR design. Thus, system design should be targeted at the majority of data and main data providers rather than seeking to design a system suitable for all potential data providers and minority data providers in particular.

This approach was successfully adopted in the development of data systems for NGERS and CEFPP purposes, and there were only a small number of circumstances where special provisions were necessary (eg. where one company was reporting on behalf of others as the operator of a JV or shared facility arrangement).

The Discussion Paper also seeks input on the extent to which *“existing regulatory activities and or the business data systems developed for them could separately or collectively be used as part of the mandatory petroleum data reporting regime”*.

We note that there is a significant range of high quality (audited) data maintained in datasets within companies for financial, compliance and government reporting purposes. Specifically, businesses which are required to comply with the existing customs and excise regulatory requirements have developed systems which may minimise the additional regulatory burden of the MRR, if directly or indirectly utilised. There is more detail on the suitability of excise arrangements for MRR purposes in our comments on Chapter 2.

Thus data reporters, particularly current non-responders, need to be encouraged to see how their current (existing) data collections and datasets can be tailored to meet MRR needs as the priority, but there also needs to be to within-Government consideration of data sharing so as to reduce duplication of petroleum data reporting to Government.

Chapter 2: MRR Elements

Outlined below are AIP's views on specific elements of the MRR design, legislation and implementation.

2.1 DATA COVERAGE

Data Scope

To meet the objectives of a robust and comprehensive MRR (ie. a complete dataset for petroleum products/stocks relevant to the Australian supply chain, as well as the IEA's reporting requirements), AIP considers that data on all sources of petroleum supply, including crude oil, natural gas liquids, refinery feedstocks, additives/oxygenates (including biofuels) and other hydrocarbons (such as synthetic crude oil, synthetic fuels and hydrogen), and the uses of the derived products (eg. petrol, diesel, jet fuel) should be within scope of the MRR data requirements.

AIP expects that current market operators (including non-responders to the APS) already collect and store detailed data of this nature to comply with customs and excise requirements and to manage their inventory levels and supply logistics to meet their own needs or their customers' demand.

AIP considers that the current scope of the data reported to the APS should form the basis of the MRR, and every attempt made to clarify/consolidate/remove data fuel data categories that are not relevant to Australian market realities and fuel supply, whilst still being able to meet the IEA's reporting requirements. This will reduce the reporting burden for all businesses.

Data Boundaries

AIP agrees with the Discussion paper that *"Australia's petroleum supply chain has been evolving over time"* with increased petroleum imports since 2003. In fact, as confirmed in the Government's supply security assessments (NESAs and LFVAs), the Australian liquid fuels supply chain has become more diversified, flexible and reliable since then, with:

- increasing integration into the Asian fuels market;
- good access to major trade routes and proven and reliable supply chains to and within Australia;
- multiple and increasing regional sources of fuel meeting Australian quality specifications;
- emerging new export centres within close proximity (eg. South Korea and India)
- significant industry investment in importing, terminal and distribution infrastructure.

These developments mean that there is significantly more petroleum stock now "on the water" and only coming to Australia which is owned, controlled and tracked by Australian companies under strict commercial contract arrangements. The industry estimates that there is 2-3 weeks of stock (consumption) on the water currently. Stock on the water is now an integral and critical part of supply and inventory planning and management by AIP member companies, and provides significant flexibility for Australian operators, including to respond to supply disruptions or emergencies in jurisdictions. Stock on water is, in effect, 'floating storage' but with added flexibility compared to land based storage for the efficient and timely movement of bulk petroleum products around Australia where needed.

Within Australia's 'inland' (or within-country) supply chain there has also been significant changes. There has been a streamlining of distribution networks and removal of intermediate steps/storage with the rationalisation of inland depots and retail sites in order to maintain competitively priced and reliable supply to customers. For example, on the East Coast of Australia, approximately 80% of petroleum products are delivered directly from major refinery or import terminals to major end-users and service stations. This is particularly relevant for the design of data boundaries and likely responders to the MRR.

In this context, AIP considers that the MRR should capture data on material volumes of petroleum and other feedstock (see 'Scope' above) which is:

- in transit to and enters/exits in Australia (on crude and product tankers);
- stored and moved under license in domestic supply chain (at terminals, refineries, storage facilities);
- is entered (sold) into home consumption to distributors, retail sites and fuel users.

AIP notes that the customs and excise legislative and reporting framework already has clear established boundaries for petroleum entering and exiting Australia (imports, exports and manufacture), and also entering domestic home consumption (sales). Importantly, reporting to government and payment of relevant duties/excise (or permissions for product movements 'under bond') are triggered at these boundary points.

Therefore, stocks of petroleum naturally exist between and outside (ie. stocks on water) these two boundaries. These could be reported separately, as they currently are under the APS, or even could be derived from a validated algorithm which would need to meet the IEA's acceptable levels of error between 'observed' and 'calculated' data. [For example, (Stocks at end month) = (stock balance from previous month) plus (total monthly sales less total monthly imports).]

Importantly, the excise regime also requires the facilities of major fuel importers and users (for importation, manufacture and bulk storage of petroleum products) to be licensed and regularly audited by the ATO, providing a clear and robust guide to major fuel importers/suppliers who should be within scope of the MRR (see below).

In addition, the definitions and methodologies for different petroleum products used for customs/excise entry and reporting purposes have also been consistently and successfully applied to the NGRS and CEFP frameworks, and that is AIP's recommendation for the MRR. Adoption of different definitions for data reporting purposes will create significant additional workload for reporting entities and raise the risk of data errors and misreporting. If governments need to adopt different definitions for the purpose of reporting to international organisations or for internal government purposes, these 'new' definitions can be expressed in terms of aggregates (or disaggregations) of the primary definitions used by MRR reporters. In relation to crude oil and condensate production, AIP would be supportive of the development of a separate reporting template, potentially using different or expanded data definitions from those utilised in the excise legislation, provided there are clearly established definitions that can be linked to the data definitions used for refinery inputs.

Data Respondents

To ensure the objectives of a robust MRR are met, AIP considers that the businesses required to report under the MRR should be all major businesses operating in the petroleum market and involved in:

- primary fuel production, import and export (upstream producers)
- finished/intermediate product manufacture, import or export (downstream producers/importers)
- wholesale storage of fuels and entry of fuels into the market for 'home consumption (terminal operators, wholesalers and major distributors and end-users).

Overall, in terms of boundaries, these businesses should be responsible for reporting petroleum stocks which they own on the water or currently stored at licensed facilities around Australia, as well as stock they have sold into home consumption and reported to the ATO and paid duty on. Stock owned by businesses is consistent with the boundary recommendation in the 2011 Liquid Fuels Vulnerability Assessment (LFVA). As a check, the LFVA also recommended that terminal owners/operators should advise importers and major users of their responsibility to report to the Government's MRR on stock they own, and that regular surveys should be undertaken to ensure all new terminal storage is identified for MRR purposes. In this regard, AIP would support an annual update of terminal storage details under the MRR.

The Discussion Paper makes three points of particular relevance to the boundaries of responders. These are identified below together with AIP's responses.

(1) Sales Data: *“To enable compliance with IEA reporting obligations, it is necessary to obtain a precise record of domestic consumption of liquid fuels by collecting sales data. A comprehensive and precise set of sales data may be able to be obtained without requiring reporting by retailers (e.g. service stations). Consideration needs to be given to whether it is necessary to obtain sales data from distributors or whether the relevant data can be obtained from refiners, importers and wholesalers. This highlights the need to determine who owns the liquid fuels and where changes of ownership occur in the supply chain.”*

- As noted above, AIP considers that ‘sales for home consumption’ reported to the ATO and excise paid to them at that time on the volumes sold, would provide the highest quality (audited) sales data available in Australia and a clear explicit signal/trigger for when changes in ownership occur. As retailers and minor operators are typically not part of the excise system (since they receive product ‘excise paid’) it naturally excludes minor operators from the MRR.
- Also as noted above, any market operator holding an ATO excise license to import, manufacture or store petroleum products (under bond) is an entity holding material volumes of petroleum stock and should be within the scope of the MRR, and this would include some major fuel users importing and storing petroleum products for their own-use who are excise license holders. Indeed, this could be used as the criteria for who’s in and who’s out of the MRR. By definition, the ATO have accurate records of current customs/excise license holders in the Australian market.
- Businesses which are required to comply with the existing customs and excise regulatory requirements have developed data systems to meet their obligations under the excise law. These may minimise the additional regulatory burden of the MRR, if directly or indirectly utilised (ie. if the ATO provides this data to the MRR or the same excise data provided to the ATO is requested directly from businesses).

(2) Complexity of Commercial Arrangements: *“One aspect of the petroleum supply chain is the complexity of the commercial arrangements that occur between businesses. For example, one business may be responsible for importing a petroleum product while other businesses may be responsible for wholesaling and distribution. Furthermore, it is not uncommon for liquid fuel stocks to be owned by a petroleum business and stored in a facility owned by an independent terminal operator. In order for a comprehensive and precise data set to be collected it will be necessary to define the relevant businesses across the supply chain and identify which ones will be required to provide data. This may be possible by simply requiring the owner of the fuel to be responsible for data reporting and for changes of ownership to identify reporting points across the supply chain. However, situations where one business could report on others behalf (ie. joint ventures) may also need to be accommodated to minimise regulatory burden and data complexity.*

- As noted above, there is a direct link between ‘ownership of fuel’ (the appropriate criteria for MRR purposes) and excise payment obligations to the ATO. That is, owners of fuel must pay excise to the ATO when fuel is entered for home consumption. Further, when petroleum products are transferred between the licensed premises of the same or different business entities ‘under bond’ (excise free), the excise payment liability for product entering (or to enter) the market is transferred to the entity the furthest down the supply chain (which signifies who the ultimate owner of that petroleum is).
- AIP agrees, however, that there may be some commercial arrangements (eg. JV or shared facility) that might need to be handled through special MRR provisions or reporting arrangements, particularly in relation to the reporting responsibility for petroleum stocks held in shared or joint storage facilities after entry to Australia but before entry to home consumption.

(3) Data Reporting Thresholds: *“Alternatively, it may be possible to define the respondent by applying data thresholds, below which reporting will not be required. This approach of using thresholds to exempt parties from regulatory activities is already applied in clean energy legislation. However, determining a threshold which does not capture respondents from outside the regime boundaries or has a significantly detrimental impact on Australia’s calculation of total stockholding of liquid fuels would need careful consideration. A third option would be to place the data reporting obligation on the facility owner where the fuel is stored on behalf of a number of businesses. However, it is acknowledged that the facility owner may neither track the fuel as closely as the fuel owner and contractual obligations may also create additional reporting difficulties which may render this option impractical.”*

- The requirements of excise licensing provide a natural threshold which signifies that the business is engaged in importing, storing or moving material volumes of petroleum, regardless of whether this is on an adhoc or ongoing basis.
- Even if a major fuel user only imported a petroleum cargo on an ad hoc basis, this is still a significant volume of stock, including for MRR and international reporting requirements. This entity should report this stock if it was owned by them, regardless of whether their import and fuel supply needs are being managed through a major fuel supplier and through that supplier’s licensed facilities.
- The primary role of a ‘data threshold’ would be to provide further support or a strengthening of the excise arrangement and focus more on the ‘major user’ segment of the supply chain. For example, distributors may hold material levels of petroleum stock in-land where this stock has already been entered for home consumption and excise paid to the ATO. Thus, all companies with an excise license/liability should be in and data thresholds should only relate to reporting of additional data that is going to be material to the MRR.
- **AIP agrees that an ‘additional’ data threshold requires careful consideration to strike the right balance in the MRR design features to deliver the majority of data from the major fuel suppliers.**
- **AIP notes once again that reporting responsibility should reside with the owners of petroleum stock, but facility owners and operators holding stock on others’ behalf may still have a role to play in supporting compliance with the MRR requirements (eg. audits of facilities and communication).**

2.2 DATA ACCURACY & VALIDATION

AIP believes that data accuracy and validation is central to the establishment of a robust and comprehensive MRR dataset, and data accuracy (and reducing avoidable errors) can be best supported by a requirement to complete a common reporting template/s containing clear product and category definitions and supported by automated/inbuilt quality checks and effective documentary guidance, technical support and training.

AIP considers that considerable effort should be devoted to the development of this reporting template/s, including in consultation with industry, to ensure that the template:

- is based on an agreed set of generic category names which best reflects fuel supplied to the Australian market, meets or can be readily aligned with international reporting requirements, and aligns with the excise definitions of different categories of petroleum products;
- utilises ‘units of measurement’ for reporting which is aligned with the most common reporting basis in existing company data systems and government reporting, including at different points in supply chain;
- is electronically based for completion and lodgement purposes;
- has its own inbuilt and systemised quality and consistency checks and validation (eg. cross referencing to data submitted last time, consistency checks across data categories submitted this time); and
- is user friendly and readily integrated with internal company data and systems.

Importantly, to support this template, AIP considers that a clear and detailed set of documentation should also be developed to assist responders in accurately completing and lodging their MRR returns and also, longer term, there should be ongoing training and technical support functions provided to ensure ongoing accuracy and continuity with changes in personnel in responding businesses.

AIP also agrees that robust Government validation systems and activities will also need to be established, particularly in relation to the consolidation of responders' returns into the complete MRR dataset and to ensure complete coverage of data across the liquid fuel supply chain.

In relation to these potential validation activities, AIP strongly supports the principle in the Discussion Paper that undertaking audits of obligated parties for MRR purposes should only occur “where an appropriate audit has not already been undertaken under other existing reporting regimes undertaking audits of obligated parties”. We note that petroleum data is already heavily audited to meet financial, excise and other government reporting obligations of these businesses, and additional MRR audit obligations would not meet the MRR objectives of reducing reporting burdens for business.

2.3 DATA CONFIDENTIALITY

AIP is of the strong view that maintaining confidentiality of business level data and protecting commercial sensitivities is a critical principle to be upheld in the design, implementation and ongoing operation of the MRR, and this will also support appropriate compliance, accountabilities and quality control in the MRR system. Confidence in secure data handling and storage will also be important.

AIP agrees that confidentiality clauses will likely need to be part of the MRR legislation and that the NGER Act 2007 should provide useful guidance on how this can be achieved. There will also need to be data security and control systems implemented as well as appropriate enforcement of controls and supervision of MRR data returns themselves. AIP also supports 'aggregation' into a complete MRR dataset, as well as aggregation at the National, jurisdictional and petroleum category levels, as an effective method of protecting the commercial sensitivities of all and individual businesses.

In terms of contractual restrictions, we note the Discussion Paper's view that many commercial contracts provide for exceptions to the confidentiality of information where disclosure is required in accordance with the applicable law (like that which will need to be enacted to implement the MRR). We consider that such clauses, together with the aggregation of data by responders and subsequently the aggregation of responder returns by government agencies, would typically address any contractual restrictions to the reporting of data for MRR purposes.

In terms of petroleum data sharing across government agencies, AIP reiterates our view that where petroleum data already provided to government agencies under different reporting requirements cannot be legitimately shared across agencies, then the onus for the MRR is to seek from company datasets the same data on the same terms as that provided to other agencies for excise, NGER, CEFP, ABS, ACCC etc purposes. AIP does not see this as a legitimate constraint to achieving improvements in the consolidation and coordination of existing petroleum data collection activities across the Government.

In addition, AIP suggests that a current contact list of data responders will need to be established and maintained and preferably this would be able to be updated electronically by responders themselves with any internal changes in personnel. This will ensure clear accountability for who is supplying MRR data on behalf of each entity and under what authority and also enable, for example, timely enquiries if data returns are late or are significantly different to the entity's normal reports.

2.4 DATA TIMING OR FREQUENCY

AIP supports, in principle, MRR data returns being on a monthly (ex-post) basis, at least for an appropriate transition period. A monthly reporting basis is consistent with the current APS reporting timeframe (which is proven to be workable and would assist the transition to the new MRR arrangements) and would also continue to meet the IEA's reporting requirements which is a key objective of the MRR.

However, the most appropriate and efficient reporting frequency will heavily depend on the final design features of the MRR, the agreed data requirements of the MRR, and the extent to which the excise and other existing reporting arrangements and data are utilised for MRR purposes.

AIP considers there are already practical, policy and process reasons supporting a monthly reporting frequency for MRR purposes.

Practical Considerations:

Typically the existing IT systems within AIP member companies are generally compatible with monthly reporting. That said, AIP member companies have supplied ad hoc data outside current APS reporting timeframes (eg. for IEA exercise purposes), but this has typically involved manual data extraction, compilation, reporting and signoff. Thus, any increase in frequency beyond monthly for regular MRR reporting is likely to represent a major additional compliance burden for industry. We are not confident at this stage, without further detailed consultation, whether it is actually achievable in an automated sense in the context of both normal industry operation in Australia and the available IT support in the market place or from international affiliates (noting that the US requires weekly reporting).

However, it is AIP member companies general expectation that data requests outside a monthly MRR reporting timetable may be requested in the event of an emergency (actual or simulated), and AIP member companies would comply with any such request as they have done in the past. It is AIP's long held view, however, that such requests should simply ask for the existing MRR data template/s to be completed on a revised timeframe, rather than issuing new (unfamiliar) data templates. This will naturally help to ensure emergency data is reported in a timely and accurate way, and not create additional scope for data collections problems and errors.

More broadly, it is important to note that most major fuel suppliers would generally not foresee any major change to inventory in the year ahead (unless there were major changes to operational arrangements or if a major new fuel supply contract was entered into). Forecast demand will largely determine if any change is warranted to stockholdings, as will any planned or unplanned maintenance at refineries.

Policy Considerations:

At this stage, we consider that monthly reporting strikes the best balance between data timeliness and providing a robust basis for ongoing decision making, including in a business as usual, non-emergency, environment). That is, a shorter frequency would likely create risks in terms of less robust information for supply assessment and policy decision making given the inherent volatility in week-to-week stockholdings in an Australian market and supply chain context (eg. given the supply shipping pattern). There is also significant and valuable data history now available on a monthly basis and this frequency aligns with the IEA reporting requirements.

Industry would need to clearly understand the rationale and objectives for more frequent data collection and to appreciate the benefits to industry, government, major fuel users and consumers that would flow from such data reporting. We would also seek assurances that the new MRR database and systems could handle, process and report the significant data flow associated with a weekly frequency.

Moreover, a move to weekly petroleum data reporting would imply a higher reporting burden for many businesses than currently, breaching a key objective of the MRR. Monthly business reporting also seems to be consistent with the direction of reform over recent years, particularly in relation to tax obligations.

Process Considerations:

We support the strong focus of the MRR being on improving the coverage, robustness and consolidation of petroleum data reporting. Not only will this ensure ongoing continuity and familiarity for all stakeholders, but also provide a robust baseline to assess and document any subsequent improvements in petroleum data compared to the APS. This will obviously be important for IEA purposes also.

Thus, we consider that proposals for a higher frequency might best be considered once the range of improvements to the coverage and operation of petroleum data are fully implemented.

Chapter 3: Australian Petroleum Data

AIP acknowledges the suite of government and legislative mechanisms that require petroleum data reporting that are outlined in the Discussion Paper and notes that AIP member companies supply data to almost all these data collections. AIP notes, however, that while all the data under these legislative mechanisms is likely to be relevant for MRR purposes, it may not be immediately useable given the need to disaggregate the data or apply different boundary thresholds, reporting periods or metrics.

That said, the wide range and significant volume of high quality data collected for NGRS, APS, excise and the other purposes identified means that this data needs to be considered in detail for application to the MRR and any new data included in the MRR needs to be clearly justified, meet the Government's longer term data needs and clearly support an ongoing (longer term and stable) regulatory function.

In addition, AIP also supports attempts to harmonise petroleum data reporting, as emphasised throughout this submission, and we note the COAG and Government agendas respectively to deliver a seamless national economy and standardised business reporting.

In the Submission above, AIP has directly addressed issues raised in this chapter related to:

- existing business/government data use for MRR purposes;
- relevant data categories, metrics and templates;
- appropriate boundaries for the regime and responders;
- the appropriate timing for MRR reporting; and
- issues of data sharing and contractual restrictions.

Chapter 4: Consultation & Next Steps

AIP emphasises that ongoing close consultation with industry will be essential over the coming months for a robust and workable MRR to be developed, legislated and implemented in accordance with the Government's stated objectives and timetable. Industry expects to be consulted at each step of this process, including because the MRR's design and supporting legislation will directly influence the nature and extent of the systems changes that AIP member companies (and other market operators) will need to make to comply with the new arrangements scheduled to commence in 2015, and the relevant financial cost associated with making these systems changes.

Ongoing consultation will also be important to ensure that the MRR:

- is robust, equitable and workable from an AIP member company perspective;
- is sensitive to commercial sensitivities and boundaries;
- does not create unintended consequences and additional compliance and administration costs;
- is designed and operates in alignment with the legislation and the Government's policy objectives.

As noted above, AIP's initial views on the 'stakeholder questions' provided as guidance in the Discussion Paper are all addressed in the main body of this submission.

AIP looks forward to ongoing consultation on this important reform and the Preferred MRR Option Paper scheduled for late 2013.