AT A **GLANCE ...**

Australian Institute of Petroleum

THE CHANGING TREND IN AUTOMOTIVE LPG USE IN AUSTRALIA

Shifting consumer preferences, as well as economic and policy changes, have seen the demand for LPG powered vehicles and LPG fuel decline sharply in recent years.

Falling demand, along with the high cost of installing and maintaining LPG infrastructure, means that automotive LPG makes up a very small part of Australia's transport mix.

Naturally, these changing market trends can impact on owners of dedicated LPG vehicles.

However, to run a sustainable business, service stations need to focus on the fuels and other offerings demanded most by their customers.

SNAPSHOT OF THE MARKET

LPG powered vehicles comprise less than 2% of the passenger and overall vehicle fleet.

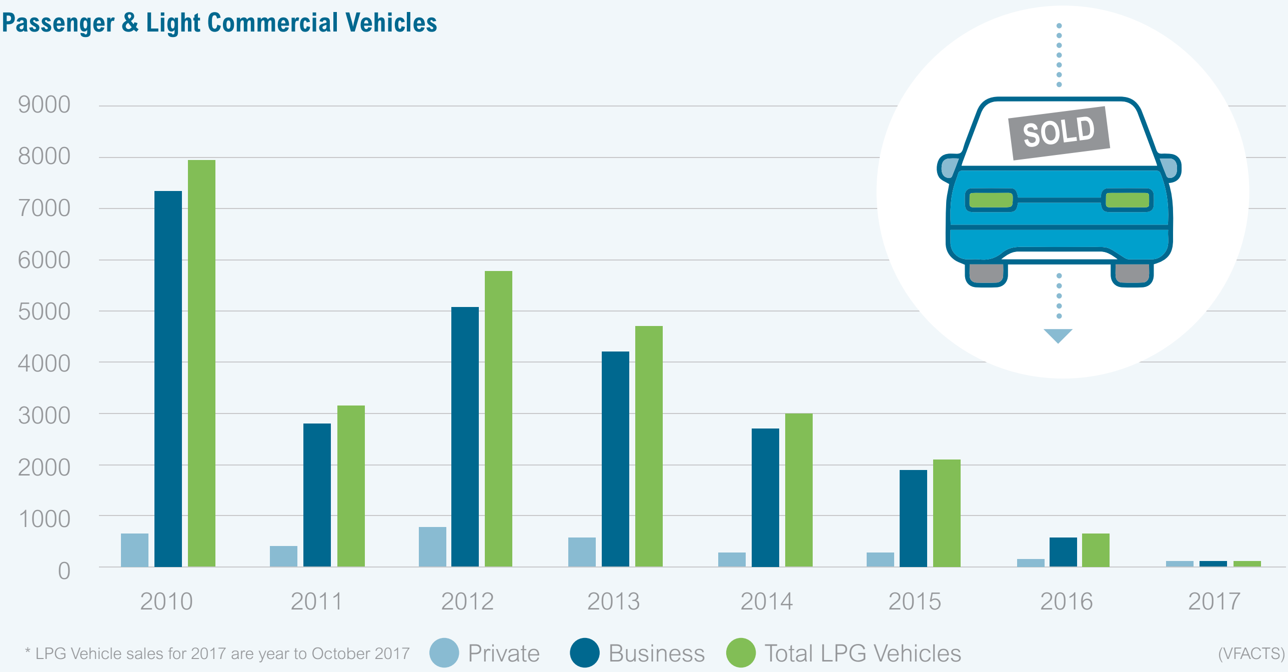
Demand for vehicle conversions to LPG has collapsed, alongside the end of local manufacturing of dedicated LPG vehicles with the closure of Australian plants.

The collapse in demand has occurred despite Australia having the lowest LPG prices in the OECD.

- New petrol and diesel engines have become more fuel efficient compared to available LPG vehicles and there has been strong growth in new diesel light commercial vehicles.
- LPG has shifted from around 45% of the cost of unleaded petrol to closer to 60%.
- While the pump price of LPG remains comparatively low, an LPG vehicle will consume 25% more fuel than an equivalent petrol vehicle.

LPG VEHICLE SALES IN AUSTRALIA:

Passenger & Light Commercial Vehicles



"The demise of LPG is particularly stark with 34,769 (9.2%) fewer LPG vehicles registered in 2017 compared with 2016, and 146,750 (29.9%) less than five years ago."

(Australian Bureau of Statistics)

SALES OF AUTOMOTIVE LPG 2010 TO 2017:

Million Litres (ML), AutoMix

(Australian Petroleum Statistics)

WHAT IS THE IMPACT ON THE FUELS INDUSTRY?

Shrinking LPG vehicle sales means monthly sales of AutoGas has also been falling drastically – declining 68% since 2010.

Historically most AutoGas demand was from taxi fleets, which are now shifting to hybrid electric vehicles.

The falling demand for AutoGas and other market trends are impacting on market supply and availability at service stations.

Around 60% of Australian service stations sell Autogas. However there has been a major decline in refuelling stations across the country due to underutilised LPG pumps being removed.

AutoGas requires dedicated transport, refuelling, and dispensing equipment – which is typically the most expensive and hazardous infrastructure at service station sites, requiring significantly more regulation than liquid fuels.

> The additional cost and risk of AutoGas is difficult to justify for a low volume niche product, especially for regional service station owners who operate small businesses.

Understandably, many of these businesses have been choosing to remove LPG tanks during forecourt restoration or refurbishment works. Instead, they are investing in the fuels and future technologies that their customers are demanding.

WHAT IS THE ROLE OF GOVERNMENT?

LPG vehicles have not been able to significantly increase their market share, despite decades of government grants, subsidies and ongoing tax concessions.

- The Federal LPG Grants Scheme closed in 2014 (for new vehicles and conversions).
- LPG now incurs fuel excise of 13.2 cents per litre – compared to petrol and diesel excise of 40.3 cents per litre. LPG still receives a 50% excise discount by the government on the tax which should be paid.

AIP believes that alternative fuels and engine technologies will have a place in a diversified Australian passenger transport market, as long as they are:

- **Available at a competitive price**
- **Reliably supplied**
- **Acceptable to consumers**
- **Produced sustainably**

The development of robust, sustainable and commercial markets for all transport fuels and vehicles will be best supported by government through:

- A market-based policy framework built on reliable, sustainable and competitive market terms.
- A level playing field for competing transport fuels, vehicles and market participants.
- Policy and investment stability.

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