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Provided via email

RE Public consultation on the Liquid Fuel Security Review

The Australasian Railway Association (ARA) thanks the Department of the Environment and Energy for the opportunity provide a submission on the Liquid Fuel Security Review Interim Report.

ARA is a not-for-profit member-based association that represents rail throughout Australia. Our members include rail operators, track owners and managers, manufacturers, construction companies and other firms contributing to the rail sector.

From a fuel use perspective, rail is the best performing land transport mode for large volumes of freight. By way of comparison, road freight generated nine times as much CO₂ equivalent emission as rail freight in 2014-15 (29.4 million tonnes of CO₂ equivalent for road compared to 3.5 million tonnes for rail)¹.

ARA's observations on the Interim Report are made in the context of an increasing freight task.

The National Transport Commission estimates that in 2013-14, the national domestic freight task totalled 726 billion tonne-kilometres, of which rail accounted for half and road one-third. The domestic freight task increased 50% in the 10 years to 2016 and is forecast to grow another 26% by 2026². Furthermore, it is estimated that for passenger and freight rail transport, 86% of energy used in 2015-2016 was generated from diesel fuel, with the remainder from electricity³.

In this context, the freight rail industry has a strong interest in a stable, reliable and cost-effective supply of diesel fuel to power approximately 2000 operational locomotives in Australia. This includes locomotives servicing Australia's bulk freight mining sector (iron ore and coal) which represents around 98%, or 1.20 billion net tonnes, of Australia's total rail freight task⁴.

Rail's strong interest in this matter is also driven by the fact that freight rail operators cannot draw upon alternative fuel supplies if there are major disruptions to domestic liquid fuel supplies. Unlike heavy vehicles which can potentially utilise alternative fuel sources in the future, such as hydrogen cells, biofuels or liquid natural gas, freight rail is, and will most likely remain, wholly reliant on diesel.

¹ https://ara.net.au/sites/default/files/u647/ARA_Deloitte_Value%20of%20Rail_full%20report.pdf

² <https://www.ntc.gov.au/current-projects/who-moves-what-where-project-work-complete/>

³ https://bitre.gov.au/publications/2016/train_004.aspx

⁴ https://bitre.gov.au/publications/2017/files/train_005.pdf

ARA offers two observations for the consideration of the Department.

As the Department would be aware, from 1 January 2020, all ships will be required to use fuel with sulphur content no greater than 0.5% in line with the global regulation agreed by member States of the International Maritime Organisation (IMO), including Australia.

This represents a significant and unprecedented industry-wide change to Australian businesses, including rail, which need reliable diesel supplies at reasonable cost. Given the likely increase in demand, the rail industry is concerned about the potential negative economy-wide impact of a fuel supply price spike.

ARA, the National Farmers Federation, Maritime Industry Australia Limited and the Minerals Council of Australia have written to Government on this matter seeking further analysis of the economic impacts for all diesel users in Australia as a result of the changes in fuel standards applying to the global shipping industry from 1 January 2020. The four industry associations also requested government convenes an industry roundtable with diesel fuel users and suppliers to discuss these changes and potential impacts.

In response, the Government committed to holding an industry roundtable with diesel fuel users and suppliers to discuss the changes and potential impacts. ARA trusts that the outcomes of this roundtable, which ARA understands will be convened by the Department of Infrastructure, Regional Development and Cities, will inform the final report of the Fuel Security Review due to Government in the second half of 2019.

ARA also notes the Interim Report's proposed next step to model fuel market supply chains to better understand how the market would adjust to disruption, and subsequent economic and price impacts.

ARA welcomes the proposal to validate the outcomes of this work with industry and requests the involvement of rail operators in this process. Similarly, the rail industry would welcome the opportunity to contribute to proposed further work to be undertaken by the Department to assess levels of risk in relation to stock holdings by major fuel users. More broadly in respect of these pieces of work, ARA encourages alignment with the National Freight and Supply Chain Strategy to help support holistic policy making in regards to freight supply chains.

For further information regarding this submission, please contact Duncan Sheppard, General Manager, Freight and Industry Programs, via dsheppard@ara.net.au or 02 6270 4531.

Yours sincerely,



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