



Australia's fuel security

Number 35, 2021

Part of the [Tranzinfo Hot Topics](#) series, this issue offers a selection of material on fuel security in Australia. Renewable energy sources are locally sourced, while carbon fuels are not necessarily so, making fuel (or liquid fuel or oil) security an issue that affects Australia's strategic and national interests.

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[Australia's fuel security package \(2021\)](#)

Australian Government, 2021

To support our long-term fuel supplies, the Australian Government has developed a comprehensive fuel security package. The government's long-term fuel security goal is to increase our domestic storage and to hold a sovereign refining capability that meets our needs during an emergency, as well as into the future. We will secure our local industry's capabilities, while keeping fuel prices in Australia among the lowest in the OECD.

[Liquid fuel security review – interim report](#)

Australian Government, February 2021

Australia has enjoyed 40 years without a major disruption to domestic liquid fuel supplies. While we can take some comfort with business as usual, we need to be prepared for new and emerging threats. Our world is now more interconnected and interdependent than ever before and the global economy is growing. At the same time, anti-globalist attitudes are rising and

we face a diverse range of security threats, including foreign interference. Some public commentary has suggested that Australia lacks resilience in the supply of liquid fuels and that this constitutes unacceptable risk.

[Boosting Australia's diesel storage](#) The Hon Angus Taylor MP, Minister for Energy and Emissions Reduction, media release 8 January 2021

The Morrison Government is taking action to increase Australia's onshore diesel stockholdings, create jobs and keep fuel prices low for consumers.

[Opportunities to increase Australia's domestic fuel storage capacity: request for information](#)

Department of Industry, Innovation and Science, June 2020

Liquid fuel is critical and makes up around half of Australia's energy consumption. Commercial storage, stocks and procurement have provided secure and reliable supply to meet Australia's needs for many decades. However, the COVID 19 pandemic has highlighted limited flexibility in the fuel storage market when the supply and demand balance changes suddenly. We are working with interested parties to identify the best options for further strengthening fuel security in Australia. As part of this, we are considering a potential program to help build viable, cost effective new fuel storage capacity. We expect the program will focus on projects that might not proceed through existing commercial drivers.

We are seeking input to help us design and plan a program.

[Immediate support for Australia's refineries and fuel security](#) The Hon Angus Taylor MP, Minister for Energy and Emissions Reduction, media release 14 December 2020

[Boosting Australia's fuel security](#) The Hon Scott Morrison MP, Prime Minister; the Hon Angus Taylor MP, Minister for Energy and Emissions Reduction - joint media release 14 September 2020

[Enhancing Australia's fuel security](#) The Hon Angus Taylor MP, Minister for Energy and Emissions Reduction, media release 15 June 2020

[Australia to boost fuel security and establish national oil reserve](#) The Hon Angus Taylor MP, Minister for Energy and Emissions Reduction, media release 22 April 2020

[Australian oil refineries and fuel security](#)

Dr Hunter Laidlaw, Parliamentary Library, 2020

Less than one month after provision was made in the 2020–21 Budget for the design and implementation of a market mechanism to support domestic refineries, BP Australia announced it would cease fuel production at its Kwinana Refinery. Once this refinery is wound down over the next six months, Australia will have three remaining fuel refineries. The continued reduction in refinery numbers has implications for Australia's liquid fuel security.

[Liquid fuel security – a quick guide](#)

Research Paper Series, 2018-19, 24 July 2018, Parliamentary Library, 2018

Liquid fuel security is a topic of long-standing debate in Australia. It has recently been raised in relation to the Government's plan to address non-compliance with Australia's international obligations. During May 2018, there was also confirmation that the third National Energy Security Assessment (NESA) would be completed by mid-2019. One component of the NESA is an assessment of liquid fuel security that is to be completed by the end of 2018. The Parliamentary Joint Committee on Intelligence and Security has also recommended that measures are taken to ensure a continuous fuel supply to meet national security priorities.

[Liquid fuel security: a quick guide – May 2020 update](#)

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Media reports

[Australia loses another oil refinery, leaving our fuel supply vulnerable to regional crises](#)

ABC News, 11 February, 2021

In the space of four months, Australia has lost half of its remaining oil refineries.

[Running on empty: Altona oil plant closure sparks fuel security warnings](#)

Sydney Morning Herald, 10 February, 2021

Unions and business have sounded the alarm over Australia's fuel security after the closure of one of the country's last oil refineries, ExxonMobil's operation in Melbourne's west, was announced this week.

[Kwinana refinery closure to shrink Australian-made fuel market by one-fifth](#)

The Age, Jan 2021

The closure of BP's Kwinana oil refinery by the middle of the year will wipe out more than one-fifth of Australia's fuel-making capabilities.

[Australia has a fuel problem — and coronavirus has handed us an opportunity to fix it](#)

ABC News, 22 April 2020

In the wake of the COVID-19 pandemic, global oil prices have plummeted. US [oil prices went into negative for the first time ever](#) on Monday — at -\$38 a barrel — when oil producers effectively ran out of space to store the supplies of crude oil that have not been used during the pandemic. Australia must take advantage of this. As a nation dependent upon imported liquid fuel for more than 90 per cent of our refined fuel needs, a glut of cheap oil is a bonanza.

[Australia reaches breakthrough deal to buy US emergency oil supplies](#)

The Age, March 2020

The Morrison government has struck a landmark deal to tap into the US government's tightly-guarded emergency fuel reserves, a move that will help lower the risk of Australia plunging into an economic and national security crisis.

[Government accused of doing 'bugger all' to shore up Australia's fuel security](#)

ABC News, Jan 2019

A former high-ranking Air Force officer has accused the Federal Government of doing "bugger all" to bolster Australia's fuel security, saying it was "simplistic" to use the shortcomings as an argument to drill in the Great Australian Bight.

[Declining fuel reserves prompts Turnbull government security review](#)

The Age, March 2018

The Turnbull government will launch a review of Australia's fuel reserves amid warnings that conflict in the Middle East or South China Sea could disrupt supply and threaten record-low domestic emergency stocks.

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Other reports

[Australia is growing dangerously dependent on foreign fuel](#)

ACAPMAg, 14 Feb 2021

The pandemic [has accelerated refinery closures](#) globally as refiners and oil majors acknowledge that some sites have become permanently uneconomical amid depressed refining margins, fierce regional competition, and expectations of declining road fuel demand in the long term. For many countries, the closing of refining capacity means increased dependence on imports and heightened risk of fuel supply disruption in case of a major regional or world conflict.

Nowhere is this more evident now than in [Australia](#), which will soon find itself with just two operating refineries, including one under review for potential closure, compared to eight operational sites 20 years ago.

[Australia has an IEA problem, not a fuel security problem](#)

Lowy Institute, Feb 2020

The International Energy Agency (IEA) is an intergovernmental organisation focused on ensuring reliable, clean, and affordable energy for its 30 member states. To achieve this aim, member states are required to hold oil stockpiles, allowing states to coordinate a collective response to major disruptions in global oil supplies and prevent the considerable negative economic consequences caused by disruptions to domestic oil markets.

Australia is currently the only IEA nation that is non-compliant with the organisation's oil stock level obligation. Under these obligations, member

must hold an oil stockpile of 90 days of the previous years' daily net imports. While the IEA does not enforce penalties for non-compliance, Australia could be forced to make reparations to IEA members if economic damage were caused as a result of being non-compliant. However, for Australia, the costs of being a compliant IEA member far outweigh the benefits.

[The Australian Government's liquid fuel security review and National Energy Security Assessment](#)

Tim Wyndham, APPEA Journal, 2019

The Australian Government is undertaking a review of Australia's liquid fuel security to help deliver affordable and reliable energy. The interim report with initial findings was released for public consultation in April 2019. Feedback on the interim report will inform the final report to Government in the second half of 2019. The liquid fuel security review is contributing to a broader consideration of energy security across liquid fuel, electricity and gas supplies in the National Energy Security Assessment in 2019. The National Energy Security Assessment will consider human and environmental threats to our energy markets – electricity, gas and liquid fuels.

[Federal Government must urgently act on fuel security following Saudi oil attack](#)

MUA, September 2019

Recent attacks on oil infrastructure in the Middle East, including a drone strike that has knocked out half of Saudi Arabia's crude oil production, highlight Australia's exposure to global energy shocks and the need to overhaul shipping, refining, and storage capacity.

[Australia's fuel security: running on empty](#)

Maritime Union of Australia, 2018

With less than three weeks of liquid fuel reserves, Australia risks grinding to a halt following a global economic shock or conflict along a major trade route, but a new report outlines a potential solution that would cost consumers less than a cent per litre.

[Oil vulnerability of Australian capital cities: a pilot study using Data Envelopment Analysis \(DEA\) for vulnerability benchmarking](#)

Leung, A et al., Australasian Transport Research Forum (ATRF), 38th, 2016, Melbourne, Victoria, Australia

Skyrocketing oil prices in the mid-2000s have prompted increased academic and policy attention on oil vulnerability. Concerns remain about the continued use of oil due to energy, security and environmental grounds. High per-capita transport energy use remains an issue. Urban transport has been seen as highly oil vulnerable due to urban forms that promote automobile dependence. Due to reduced refinery capacity, risks in main oil supply chains are increasing, suggesting oil vulnerability remains an important research area for transport.

[Australia's transport energy resilience and sustainability](#)

Rural and Regional Affairs and Transport References Committee, 2015

This report considers Australia's liquid fuel supply and stockholdings, with a focus on the challenges and opportunities to Australia in meeting its IEA obligations. However, it also recognises that Australia's energy security entails more than simply IEA compliance. As part of this review, the report lays out the current context in terms of Australia's energy consumption, production, importation and exportation. It explores the implications of Australia's declining reserves and production of petroleum. It also considers the role of government in relation to energy security with a particular focus on Australia's approach of relying heavily on market forces to deliver energy security.

[NRMA fuel security report](#)

2013

As the world's ninth-largest energy producer, Australia has abundant renewable and non-renewable energy resources. Despite these resources, we are heavily dependent on imports of refined petroleum products and crude oil to meet our liquid fuel demand and our import dependency has increased over recent years. Any major interruption to the supply chain would significantly impact our way of life.

[Part 2, 2014](#)

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